Austria Sch22	Indonesia .. Rp3100	Portugal ... Esc100
Bahrain .. Din0.650	Israel NS3.50	S.Arabia ... Rl7.00
Belgium BFr48	Italy L1600	Singapore .. S$4.10
Canada ..... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils.500	Sri Lanka ... Rup30
Denmark .. DKr9.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon $L125.00	Switz SFr2.20
Finland ... Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rit4.25	Thailand Bht50
Germany .. DM2.20	Mexico Pes300	Tunisia ... Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong.. HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway .. Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Quest for single European financial market, Page 2

World News

Balkan foreign ministers to meet

Foreign ministers of six Balkan countries were to meet in Belgrade for the most significant meeting the peninsula had seen since the Second World War.

Yugoslavia, Greece, Turkey, Bulgaria, Romania and Albania were hoping to create a better climate in multilateral relations with the object of resolving bilateral disputes. **Page 20**

Hard line on Cyprus

Newly-elected President George Vassiliou of Cyprus indicated he would continue his predecessor's hard-line policy on a settlement for the divided island republic. **Page 20**

Paris bomb blasts

Two bombs exploded in Paris, hours before a founder of French urban guerrilla group Action Directe was due to go on trial charged with armed robbery.

UK tightens air control

A helicopter was involved in a near-miss with a jet fighter over north-east Scotland just hours after Britain's Civil Aviation Authority said it would delay take-offs and landings at UK airports at peak times. The latest incident brings the number of near-misses in the last two weeks to three. **Page 8**

Land Rover stoppage

Employees of British vehicle group Land Rover began a strike, demanding a pay deal to match a 14 per cent increase won by striking UK Ford car workers. **Page 7**

US trucks attacked

Four incendiary devices exploded on US army trucks at a military base east of Stuttgart, causing damage estimated at DM5,000 ($2,950).

Austrian tax dispute

Austria's coalition Government was locked in a bitter dispute over how the country's outdated tax system could be reformed. **Page 2**

Salvador disruption

Leftist guerrillas disrupted transport by calling for a ban on traffic and cut power supplies across the country by sabotaging electricity pylons, in a drive against local elections scheduled for next month.

Czech corruption

A corruption scandal in Czechoslovakia, involving senior government and party officials who received whisky, furs and furniture in return for money and favours, resulted in the dismissal of two senior officials and reprimands for 11 others. **Page 3**

Iran frees 1,300

Iran freed more than 1,300 prisoners from jails in three provinces as part of a pardon marking the anniversary of its 1979 Islamic revolution, national news agency Irna said.

Zambian crackdown

Zambian police, acting under sweeping emergency powers, seized more than 2m kwacha ($250,000) in cash and an undisclosed amount of foreign currency in a crackdown on black marketeers.

New Caledonia clash

Kanak separatists in New Caledonia fought with police, taking nine hostage and injuring 17.

Peking plot revealed

The memoirs of Soviet President Andrei Gromyko, soon to be published in Moscow, detailed a secret 1958 Chinese plot to lure US troops into China's heartland and bombard them with Soviet nuclear weapons, the New York Times reported.

Tidal wave barrier

Bangladesh said it would spend $85m creating a mangrove forest to shield people along its coast from cyclones and tidal waves.

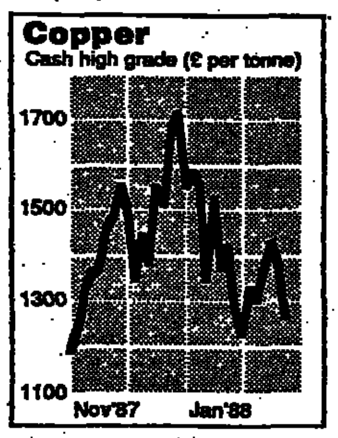
Business Summary

Les Echos protests at delay over Pearson bid

PUBLICATION of Les Echos, French financial daily newspaper, was halted by management in protest at the French Government's decision to delay a ruling on a £88m ($149.6m) cash and shares offer for the newspaper by Pearson, UK information and industrial group which publishes the Financial Times. The bid was first announced last month. **Page 21**

WESTINGHOUSE ELECTRIC of the US and AEG, West German electrical group owned by Daimler Benz, have agreed to combine their transport businesses. **Page 21**

COPPER PRICES fell sharply with cash metal adding a fall of £40 ($70) a tonne to last week's



fall of £80 a tonne, closing at £1,272.50. **Page 32**

LONDON: International conglomerates were boosted by a favourable Warburg Securities review. The FT-SE 100 Index closed up 17.4 at 1,747.2. **Page 40**

TOKYO: Concern over high prices trimmed some of the market's early gains but shares closed higher for the eighth consecutive day. The Nikkei average closed up 73.3 points at 24,846.71. **Page 44**

WALL STREET: The Dow Jones industrial average closed 25.70 up at 2,040.29. **Page 44**

DOLLAR closed in New York at Dm1.6975, Y129.30, FFr5.7395 and SFr1.3920. It closed in London at DM1.6955 (DM1.7070); Y129.20 (Y130.05); FFr5.7350 (FFr5.7700); and SFr1.3900 (SFr1.3990). **Page 33**

STERLING closed in New York at $1.7605. It closed in London at $1.7650; DM2.9925 (DM2.9850); Y228.00 (Y227.50); FFr10.1225 (FFr10.0925); and SFr2.4525 (SFr2.4475). **Page 33**

GENERAL MOTORS, US car group, has agreed to sell 51 per cent of its motor vehicle assembly operations in Venezuela to local investors for an estimated $13.8m. **Page 21**

CREDIT AGRICOLE, France's largest banking group, has been asked to pay FFr7bn ($1.21bn) to buy control of Caisse Nationale, its central financial institution, from the state. **Page 25**

ELECTROLUX-ZANUSSI, Swedish-controlled electric appliance group, further strengthened its hold on the European market for catering and industrial refrigeration equipment by taking over Alpen Inox of Italy. **Page 22**

AGA, Swedish industrial gas group, plans to set up a plant in Rotterdam, Netherlands, to increase its European production capacity for carbon dioxide gas by between 15 and 20 per cent. **Page 22**

MOLLER-MAERSK, Danish shipping group with one of the largest fleets in the world, has taken investment decisions estimated to involve about $2.5bn in recent months. **Page 22**

ASEA of Sweden and Brown Boveri of Switzerland, electrical engineering concerns which merged on January 1, released independent profits for 1987, with Brown Boveri almost doubling its profits and Asea increasing earnings by 11 per cent. **Page 22**

Moscow talks make headway

BY CHARLES HODGSON IN MOSCOW

THE US and the Soviet Union have made progress towards preparing a treaty to halve their strategic nuclear arsenals in time for signature at a superpower summit in Moscow in the late spring, Mr George Shultz, the US Secretary of State, said last night.

Mr Shultz said at the end of two days of talks with Soviet leaders in Moscow that "generally positive results" had been achieved across the full range of issues to be discussed at the summit. "We did not make progress on everything, but we did make progress on most things."

He said Mr Eduard Shevardnaze, the Soviet Foreign Minister, would visit Washington on March 22-23.

Mr Shultz, who met Mr Mikhail Gorbachev, the Soviet leader, for four hours before resuming talks with Mr Shevardnadze, said the two sides had "set in motion important efforts" towards drawing up a treaty to cut their strategic nuclear arms by 50 per cent.

He said US and Soviet negotiators in Geneva had been directed to draw up in time for the March ministerial meeting three documents on verification of the treaty, one of the key issue of dispute.

These are a joint draft protocol on inspections, a joint draft protocol on conversion or elimination of strategic offensive arms and an understanding on exchanges of information.

Separately, Mr Shevardnadze said the talks had confirmed that "both countries want it (a strategic arms treaty) and are confident that it can be achieved." But he gave no indication when a treaty could be ready.

Tass, the Soviet news agency, said Mr Gorbachev had made a clear link between ratification of the treaty eliminating intermediate-range nuclear weapons and the signature of a strategic arms treaty.

He had "advanced a number of new ideas" on aspects of strategic arms reduction to give the Geneva talks new dynamism, it added.

Mr Shultz said it was

Editorial comment, Page 18
Continued on Page 20

US Secretary of State George Shultz (left) at the Kremlin yesterday with Anatoly Dobrynin, former ambassador to Washington, and Soviet leader Mikhail Gorbachev (right)

US Navy chief quits in protest over cuts in budget

By Lionel Barber in Washington

Mr James Webb, the US Navy Secretary, resigned yesterday in protest at proposed defence cuts in the 1989 Federal budget.

Mr Webb said in a letter to President Reagan that the cuts meant the sacrifice of the "long-cherished" Reagan Administration goal to build a 600-ship Navy. He was therefore unable to support Mr Frank Carlucci, US Defence Secretary, who crafted the Pentagon budget proposal.

Mr Carlucci submitted $32.5bn in Pentagon budget cuts to Congress last week as part of the total Federal budget package. Under the proposals, the US Navy would be forced to take $12bn in cuts under the total $299.5bn budget for fiscal 1989, which begins on October 1.

The Pentagon budget - which contrasts with the expansion of the earlier Reagan years - foreshadows the biggest reorganisation of the US military since the Vietnam war. In his letter of resignation, Mr Webb made clear he had the support of the US military leadership, which has so far remained largely silent about the impact of the proposed cuts.

In a reference to Mr Carlucci – a veteran public servant who has worked in the Pentagon, CIA and State Department – Mr Webb said: "I am not a career bureaucrat. If I had a piece of advice to give to Secretary Carlucci . . . he needs to spend a lot more time with people in this building (the Pentagon)."

Mr Webb, 42, a gung-ho former Marine and novelist, took over as Navy Secretary last April, succeeding Mr John Lehman who served for six years. Mr Lehman was generally credited with wresting money from Congress to modernise the fleet but he left office before this year's Budget crunch.

Mr Carlucci made clear last November when he succeeded Mr Caspar Weinberger that he was more prepared to strike a bargain with Congress on defence spending. His budget proposals have met with congressional praise, but with suggestions that the Pentagon will have to follow-up with some $200bn of cuts between 1990 and 1993 as part of the effort to cut the Federal budget deficit.

Mr Webb said that on three occasions, the civilian and military leadership of the Navy Department drew up cuts which would have met the spending targets and preserved the goal of the 600-ship Navy. "In each case the advice of this senior leadership . . . was ignored."

Shamir threatens to call general election over peace policy rift

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK SHAMIR, the Israeli Prime Minister, gave a warning yesterday that he may be forced into calling an early general election if the Labour and Likud coalition partners cannot agree on a joint approach to the Middle East peace process.

It was the first time the Likud party leader had acknowledged the possibility of early elections – something frequently proposed by Mr Shimon Peres, his Labour rival and the Israeli Foreign Minister.

However, there was some uncertainty in Jerusalem last night over how seriously Mr Shamir's warning should be taken.

Elections are due in early November, at the end of the coalition's four-year term. Labour has been hinting for several weeks that it might pull out of the Government if its stand on the peace process, notably on the need to make territorial concessions, is ignored.

Mr Shamir was speaking to a closed-door session of the Israeli Parliament's foreign affairs and defence committee, ahead of Thursday's scheduled arrival in Israel of Mr George Shultz, the US Secretary of State, as part of a five-day shuttle mission in the Middle East. Mr Shultz will be preceded tomorrow by his chief Middle East envoy, Mr Richard Murphy.

In his address to the Knesset committee, the Prime Minister said the US would not have revived its dormant peace initiative if Israel had quelled the disturbances in the occupied territories in their early days. He said the US had previously planned no new effort until after its own Presidential elections in November.

Meanwhile, Mr Yossef Harish, Israel's Attorney-General, yesterday intervened in the growing controversy over the use of excessive force by Israeli soldiers in the West Bank and Gaza Strip.

In a letter to Mr Yitzhak Rabin, the Defence Minister, who told troops "to beat" Palestinian demonstrators with wooden clubs, Mr Harish said soldiers were forbidden from using force as a means of punishment or humiliation.

The Attorney-General said his office had been inundated with reports of illegal beatings. Mr Rabin and top army officers have consistently argued that the beatings of individuals not involved in demonstrations were "irregularities."

There was no immediate comment from the Defence Ministry. But Mr Haim Bar-Lev, the Police Minister, leapt to his Labour colleague's defence, saying he did not think Mr Rabin had needed the Attorney-General's letter.

Separately, the state radio yesterday quoted military sources as saying deportation orders on four Gazans had been "frozen." The four Palestinians had been accused of helping to instigate the 11-week-old uprising. The radio announcement appeared to confirm the impression in recent weeks that Israel had decided against deporting any more Palestinians following the international outcry over last month's expulsion of four activists.

Editorial comment, Page 18

EC ministers clear way for budget reform

BY DAVID BUCHAN AND TIM DICKSON IN BRUSSELS

European Community foreign ministers yesterday wrapped up the loose ends of the EC's recent budget reform package – clearing the way for Britain and the Netherlands to endorse the deal.

The rapid agreement on production control measures for seven non-arable farm products – achieved after barely 10 minutes of discussion – ended lingering fears in Brussels that the French Government wanted to re-open negotiations on a part of the package most other member states felt had already been agreed.

The anxiety was created in the heated closing hours of the summit 10 days ago when Mr Jacques Chirac, the French Prime Minister who is seeking the country's presidency later this year, insisted on further discussion of these proposals, which include measures to curb spending in the dairy, wine, tobacco, lamb and mutton sectors.

Britain and the Netherlands showed their anger by making their full agreement to the package conditional on the outcome of yesterday's meeting.

Yesterday, Mr Jean-Bernard Raimond, the French Foreign Minister, told his colleages that the French case had been misunderstood and that he simply wanted to emphasise certain "points of principle."

These are thought to have been aimed at the European Commission, which now has the delicate task of turning the measures into detailed Community law, as well as being intended to strengthen the Community's negotiating position on farm subsidies in the forthcoming General Agreement on Tariffs and Trade round.

Sir Geoffrey Howe, the UK Foreign Secretary, said yesterday's agreement was the "the last piece of the jigsaw" of agricultural reform as well as being a victory for British "persistence and determination."

He said the "budget stablisers," which include the previously agreed automatic price cuts for cereals and oilseeds, placed EC farming "on a stable long-term footing."

THE European Community will not hide behind protectionist barriers when the harmonisation of the European market is completed in 1992, Mr Peter Sutherland, EC commissioner for competition policy, said in London yesterday.

"It would not be in Europe's self-interest to complete the internal market behind protectionist barriers against third countries," he said.

Europe's grand design, Page 2; EC Standards call, Page 8; Stabilisers herald CAP reform, Page 32

West Germany, as current president of the European Council of Ministers, has set the end of May as the deadline for all budget reforms to be turned into legal language.

But having got the outlines of reform, the Bonn Government intends to use the remaining four months of its presidency to tackle other issues such as the Middle East, relations with Comecon, and monetary reform inside the Community.

SEC recommends legal action against bank

BY ANATOLE KALETSKY IN NEW YORK

WALL STREET was bracing itself yesterday for the possibility of new legal action in the long-running insider trading scandal after Drexel Burnham Lambert, the big Wall Street investment bank, published a statement admitting that the Securities and Exchange Commission had recommended legal action against the firm and "several of its key employees."

Drexel Burnham is a dominant force in the US market for high-yielding "junk bonds" and a leading participant in many takeovers and leveraged buyouts.

The statement was made in an offer document for a new high-yield bond fund underwritten last week by Drexel and three other investment banks.

It was the first public reference by Drexel to the possibility that it could face adverse legal consequences as a result of the SEC investigations into the firm's activities.

The Drexel statement said that "the staff of the SEC intends to recommend that the SEC bring a civil injunctive action against Drexel Burnham Lambert and several of its key employees relating to transactions, some of which have involved high yield bonds."

The prospectus goes on to say that Drexel had made a submission opposing these recommendations. Significantly, this was not included in a preliminary version of the document filed with the SEC in January.

According to some people on Wall Street, the timing of the Drexel statement gave further credence to a rumour circulating in the arbitrage community that the SEC was intensifying its insider trading investigations after a self-imposed hiatus in the immediate aftermath of the stock market crash last October.

Given the newfound stability of the fiancnial markets, the authorities are now less concerned about unsettling investors with new disclosures, this theory holds.

An unconnected event that has aroused expectations of new developments in the insider trading scandal was Friday's arrest of Mr John Mulheren, a leading arbitrageur, on charges of intending to intimidate or even kill Mr Boesky and other potential witnesses in the affair.

L.F. Rothschild taken over by US thrift institution

BY ANATOLE KALETSKY IN NEW YORK

L.F. ROTHSCHILD, the struggling Wall Street securities firm which has suffered a series of crippling blows since it went public two years ago, yesterday signed away nearly 90 years of independent existence after disclosing a net loss of $128m in the last quarter.

Rothschild said it had agreed to be taken over by Franklin Savings, a small unquoted thrift institution with consolidated assets of $9bn based in Ottawa, Kansas.

The sale price of around $3 a share in cash and securities, contrasts with the $20.50 which investors paid for Rothschild's shares in its $150m initial public offering in March, 1986.

While L.F. Rothschild is not now connected with any of the other firms which bear this legendary banking name in Europe or the US, the company was briefly associated with Mr Jacob Rothschild, a British member of the banking family.

J. Rothschild, his British holding company, bought around 45 per cent of L.F.Rothschild in 1983, when it was still a private company, and then disposed of most of this stake in the public offering.

In retrospect, the turning point in the firm's fortunes may have come in December, 1986, when Mr Thomas Unterberg and Mr Robert Towbin, the two managers who had been largely

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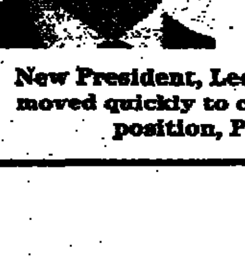


TAIWANESE POLITICAL REFORM QUICKENS PACE

New President, Lee Teng-hui, has moved quickly to consolidate his position, Page 20

Tax reform issue strains Austrian coalition further

BY JUDY DEMPSEY IN VIENNA

AUSTRIA'S Socialist-led coalition Government, already wrestling with the Waldheim affair, is locked in a bitter dispute over how the country's outdated tax system can be reformed. If the dispute is not resolved over the next few days, the Government will lose all momentum at pushing through financial reforms.

At the heart of the dispute is the *quellensteuer*, loosely translated as tax at source.

Mr Franz Vranitzky, the Chancellor, and several senior economists from the conservative People's Party (OEVP), the junior coalition partner, want to press ahead with introducing the *quellensteuer* which is often popularly perceived as a tax on savings.

Under the present system, savings are held, more often than not, in anonymous accounts and remain untaxed. One of the reasons for not taxing the savings was that post-war governments wanted to make savings attractive in order to have capital to re-build a shattered economy.

That policy worked. Today, Austrians have more than Sch 1,000bn (£47.7bn) tucked away in saving accounts or the famous *sparbuch* – the little pocket-size savings book. But now that the country is relatively prosperous, the government, adhering to one of its policy commitments, is trying to revamp the taxation system.

There has been little disagreement on reducing company taxation from 55 to 30 per cent, lowering the tax brackets from 21 to 10 per cent and reducing the top rate from 62 per cent to around 50, as well as reducing tax exemptions.

The real struggle has sharply focused on the *quellensteuer* largely because Mr Alois Mock, the Vice Chancellor, Foreign Minister and leader of the OEVP is deeply against the idea.

Many in the OEVP see the need for a *quellensteuer*, not just because it will modernise the tax system and instill a more incentive-oriented approach to the structure of the economy, but because it will raise a much needed Sch6bn-Sch8bn.

At the moment, the budget deficit is running at Sch70bn a year. Because of a tough cost-saving budget for 1988 which cut state subsidies by more than Sch30bn, the Government prevented the deficit from exceeding Sch100bn by the end of this year.

Mr Mock and some of the OEVP provincial governors are desperately worried about the political impact on the party if he personally supported the *quellensteuer*. He has in mind next October's elections in Lower Austria, which is the hard core of the OEVP.

More than half the party's 700,000 voters belong to the Niederoesterreich party organisation, whence Mr Mock himself comes.

Bulgaria to ease restrictions on travelling abroad

BY JUDY DEMPSEY

THE BULGARIAN authorities are proposing radical changes in passport regulations and a revision of the criminal code for those who stayed abroad illegally. If the proposals are accepted by the National Assembly, it will mean greater freedom for Bulgarians to travel.

The idea is that Bulgarians will be allowed to retain their passports, which will be valid for five years. At the moment, anyone going abroad has to hand in the passport on returning home. It is also planned to give banks, rather than the ministries and the passport office, more discretion in allocating hard currency for those who wish to travel to the West.

Citizens, who left the country on legal exit visas but remained abroad will, under the new proposals, be allowed to return to Bulgaria without being prosecuted or penalised. An official said yesterday the aim was to attract back artists, writers and intellectuals who defected to the West in recent years.

It is still unclear, however, under what conditions ordinary Bulgarians will be issued a passport.

It still remains uncertain what becomes of the different types of passport. Bulgarians need separate passports depending on whether they want to travel to a Communist or to a Western country.

Lisbon-Washington talks to hang on payment for US bases

THE THORNY issue of how much the US should pay for its key air force base on the Azores will dominate talks when the Portuguese Prime Minister, Mr Anibal Cavaco Silva, travels to Washington today, **Reuter reports from Lisbon.**

Portuguese officials said the visit three weeks ago to Lisbon by Mr Frank Carlucci, US Defence Secretary, had glossed over the dispute and that a formal revision of the base accord could still be requested.

"An agreement between friends should be drawn up in such a way as to make life easy, not difficult, for each partner," said Mr João Deus Pinheiro, the Portugese foreign minister, who will accompany the prime minister during the three-day trip.

Lisbon is unhappy over Congressional cuts to what the US pays to lease the base at Lajes on the Portuguese-held islands. The long-established base is used as a strategic stopover and to scour the Atlantic for Soviet submarines.

A promised yearly aid flow of about $200m between 1984 and 1991 has been whittled away by the cuts and Portugal can expect only $117m this year.

Demands for a revision appeared to recede after Mr Carlucci pledged to compensate much of the military cash shortfall with equipment supplies.

But Portuguese officials later said that Mr Cavaco Silva, a centre-right Social Democrat, would press for guarantees of more money and perhaps suggest the accord be turned into a treaty legally obliging both sides to abide by its terms.

Portugal is a founder-member of Nato and has been a close US ally for 40 years.

Spain last month reached an agreement with the US to renew a 35-year-old defence treaty under which Washington is to remove 72 F-16 aircraft from a base near Madrid.

Southern Africa will also feature in the talks which Mr Cavaco Silva will have with President Ronald Reagan, as well as Administration officials

Early talks over Belgian coalition 'encouraging'

MR JEAN-LUC Dehaene, the Flemish Christian Democrat, politician leading the search for a new Belgian government, said yesterday that he was encouraged by preliminary talks on forming a five-party coalition to end a 10-week political crisis, **Reuter reports from Brussels.**

But he said the most controversial issues had to be skirted for now so as not to wreck the delicate negotiations.

A caretaker government has been running Belgium since December, when inconclusive elections brought gains for the right-wing Liberals in Dutch-speaking Flanders and a shift to the left in the French-speaking south.

"For now, I think the best way to advance is not to start with the most difficult things," said Mr Dehaene, the third mediator appointed by King Baudouin to try to haul the country out of political limbo.

He acknowledged that the still-unresolved language dispute which brought down Prime Minister Wilfried Martens' centre-right Government last autumn would not be tackled now.

The row, which centres on a French-speaking local official who refuses to take a test in Dutch – the official language of his commune - has aggravated broad areas of conflict between Belgium's language groups.

Mr Dehaene said that progress had been made in last week's talks

Denmark warned over deficit

By Hilary Barnes in Copenhagen

DENMARK WILL be forced to seek assistance from the International Monetary Fund within the next five years unless it manages to achieve a substantial reduction in its current account deficit.

This prediction was made by the Nordic countries' executive director at the World Bank, Mr Ulrik Haxthausen, himself a Dane.

Denmark needs to put its living standards back to where they were 10 years ago, he said in an interview with a Danish newspaper.

"The Danes must accept that either they will have a retreat of this kind imposed upon them within the next five years, or they must do something about it themselves before others do it for them," he said. "There won't be room for a new car, a new sofa, red wine and steaks for many years to come."

Denmark has had a deficit on the current account of the balance of payments for each of the past 25 years and has built up a net foreign debt of about DKr 275bn ($42bn), some 40 per cent of the GDP.

This equals about Dkr54,000 per head, probably the highest per head foreign debt anywhere. Interest on the debt is now about 5 per cent of the GDP, said Mr Haxthausen.

The current account deficit was in fact almost halved last year from DKr34.5bn in 1986 to an estimated DKr18bn in 1987 (the final figures have not yet been published) after severe policies of fiscal restraint in 1986.

But the improvement took its toll in a decline in manufacturing output of about 3 per cent and in the GDP of at least a 0.5 per cent, with a second year of negative growth forecast for 1988.

Spain's embattled Communists find a leader in south

BY PETER BRUCE IN MADRID

A DESPERATE search for someone to lead Spain's troubled Communist Party ended in a minor triumph early yesterday morning for a reluctant southerner who now has the thankless task of trying to establish a credible force to the left of the Socialist Government.

The Spanish Communist Party (PCE), probably the most effective national opposition during the Franco dictatorship, has since fallen on such hard times that it was forced to extend its annual congress at the weekend before persuading Mr Julio Anguita, 46, to become its general secretary.

In three days of high political theatre Mr Anguita insisted he was not available for the job – neither was anyone else – until the congress practically begged him to take it. Having played his cards to perfection he gained an important victory over the party bureaucracy and has been given a generous mandate to remodel it to his own liking.

Mr Anguita has been possibly Spain's most successful Communist politician since General Franco died in 1975. He became mayor of Cordoba in 1979 and easily beat a left-wing Socialist for the job again in 1983. Nicknamed the Red Caliph for his dark, Moorish, good-looks, his critics say he entertains Messianic ambitions but concede that he is probably the only Communist in the country capable of denting the popularity of the Prime Minister, Mr Felipe Gonzalez.

But the PCE, as part of a wider leftist grouping, won only 4.6 per cent of the national vote in 1986 and Mr Anguita's task will be hugely difficult. Spanish Communists, once denied the Francoist enemy, have split into myriad doctrinal factions.

The new leader, though, will complete the dominance of Spanish national politics by Andalucians – Mr Gonzalez and the conservative opposition leader, Mr Antonio Hernandez Mancha, both learnt their politics in the region. The PCE is relatively strong in Andalucia and the congress's hope clearly was that some of its success there will now begin to rub off nationally as well.

Mr Anguita's election also rounds off a possibly important regrouping of forces to Mr Gonzalez' left. This started late last year when Mr Nicolas Redondo, leader of the Socialist Party's affiliated trade union, the Union General de Trabajodores (UGT), resigned his parliamentary seat in protest at the Government's conservative economic policies.

Earlier this month the UGT entered into a wage pact with its old Communist rival, the Commisiones Obreras to oppose the Socialist's 4 per cent public sector wage ceiling. These machinations place effective opposition to Mr Gonzalez outside Parliament for the moment, and may provide fruitful opportunities for Mr Anguita to exploit.

Ironically, among the most enthusiastic supporters of a unified force to the left of the Socialists are conservatives who would like to see the Communists force Mr Gonzalez to compromise his domination of the political centre.

Cynics believe otherwise, however, with one former Communist leader warning recently that Mr Anguita's departure from Andalucia would do little more than ruin the party there and that Madrid, in turn, would be the ruin of him.

Europe's grand design for 1992 promises problems in realisation

In a second article, Guy de Jonquieres continues his analysis of progress towards the unification of Europe's financial services

TO HARD-PRESSED European Community officials engaged in drafting a framework for a single market in financial services, the project sometimes seems like a journey into the unknown. "What we have no idea of is how people will react once the barriers come down," says one. "Will there be pandemonium – or will nothing happen at all?"

The question goes to the heart of the complex uncertainties with which the Community is wrestling as it strives to meet its self-appointed deadline for completing the internal market by 1992.

In economically and financially weaker countries, preoccupations have centred so far on the likely effects of removing national controls on capital movements – an essential prerequisite for creating a single market in services – during the next few years. Several governments, particularly those with sizeable public sector deficits, fear this could provoke a massive outflow of savings abroad.

These worries may be overdone. France and Italy have already moved faster than required by the EC timetable to relax exchange controls without suffering any undue side-effects. The Commission also proposes (against West German objections) to allow some controls to be reimposed temporarily in the event of a sudden currency crisis.

A more serious, and widely shared, concern is that the opening up of EC financial markets could unleash instability by sending volatile flows of short-term speculative funds surging across frontiers in search of the highest returns. That would both play havoc with individual countries' monetary policies and impose severe strains on the European Monetary System.

This disturbing scenario has already prompted renewed calls for a strengthening of the EMS and tighter co-ordination of national monetary policies. Indeed, some economists and bankers argue that without much closer policy integration, a genuine internal market will prove difficult to achieve.

There is also a dawning realisation that national fiscal disparities threaten to create equally serious distortions by diverting money to countries with the least onerous tax regimes. Indeed, this prospect has already induced institutions, such as mutual funds, to move into Luxembourg in preparation for 1992. The problem is judged sufficiently important that some governments are suggesting that capital movements should not be fully liberalised until the outlines of a solution have been agreed. That may not prove easy.

Though the Commission has called for an alignment of national value-added and excise tax rates, it has made no firm proposals on tax on interest and dividend income. However, in response to growing government concerns about revenue loss due to tax evasion, it has suggested two broad policy options.

On one side, mandatory reporting by banks to national tax authorities, would be cumbersome to enforce. On the other, a harmonised EC-wide withholding tax, faces two hurdles. The first hurdle is achieving the necessary unanimous agreement on an acceptable rate. As an Italian government official puts it: "We could simply not afford to lower our taxes to the same level as Luxembourg and still finance our budget deficit."

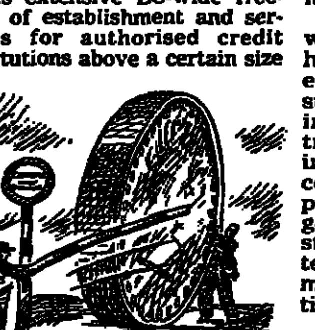
The second hurdle, Luxembourg points out, is that even if the EC could agree to harmonise, it would risk driving capital away to tax havens outside its frontiers.

Just how well-founded some of these concerns prove to be will depend on progress in breaking down the barriers to cross-border trade in services. Here, much will turn on the effectiveness of the Commission's new doctrine of market integration. After years of futile effort towards extensive harmonisation, the Commission has now pinned its colours firmly to the banner of liberalisation.

The general proposal is that EC member states should agree to recognise each others' existing rules, so any institution authorised in one should be free to operate in all others under the control of authorities in its home country. Harmonisation of national regulations would be limited to the bare minimum deemed necessary to ensure adequate prudential safeguards.

Countries would thus be obliged to admit competing financial products and services from outside their borders, even if their own institutions were currently prohibited from offering them. The Commission's general aim is to encourage competition between national regulatory systems, on the argument that this will lead naturally to alignment at the level of the most liberal.

The legislative cornerstone is the second banking co-ordination directive, published in Brussels last month. This proposes extensive EC-wide freedom of establishment and services for authorised credit institutions above a certain size



engaged in a range of specified activities, including securities transactions. It is due to be underpinned by agreements on harmonised bank capital and solvency ratios which are likely to parallel those planned by the Group of 10 central banks.

A number of further measures is planned to deal with more technical issues including regulation of financial conglomerates, financial advisory services, deposit protection, pensions, stock exchange listing and disclosure requirements, accountancy conventions, insider trading and company law.

Though it has striven for compromise, the Commission has failed to satisfy everybody. West Germany is unhappy with a provision in the banking directive to limit banks' industrial investments, Britain with the proposals for licensing non-EC banks.

Predictably, every country wants the future EC rules to be harmonised around its own existing arrangements. Those, such as West Germany, which impose exceptionally strict controls on many types of financial institution, argue for stringent common rules on grounds of prudential safety. More liberal governments object that this stand is largely a ploy to protect inefficient financial intermediaries by limiting competition.

Also running through the negotiations is a less outspoken, but equally powerful, concern. As one EC government official puts it: "This whole thing isn't going to work unless we can assume that we can trust other countries' supervisors to observe the rules. Otherwise it's an impossible dream. Unfortunately, not all supervisors are of the same quality." Indeed, the Commission has already been persuaded to make one important exception to the general principle of "home country control". Anxious to underpin confidence in the London market after the stock market crash, the UK insisted that, for the foreseeable future, firms engaged in securities trading should continue to be controlled by the authorities in the countries where they operate.

So far, the safety of financial institutions has dominated the Brussels agenda. Little attention has been focused on the conditions in the markets in which they operate. Yet there are many grey areas and inconsistencies, which make the future rules unclear and could limit the scope of competition. Among them are the following.

- Product definitions. In order to clear a path for freedom of cross-border trade in financial services, they have to be defined. Though the Commission favours as broad a description as possible, this approach has not always been followed. For instance, a directive to liberalise sales of unit trusts, due to take effect next year, prescribes the types to be covered. Some, like money market funds, are excluded. The danger is that harmonisation has been achieved at the cost of choice, thereby constraining future innovation.
- Tax incentives and subsidies. Many EC countries operate schemes, such as France's *Loi Monory* and Britain's Business Expansion Scheme, which discriminate in favour of designated categories of domestic investment. The Commission argues that these are technically illegal and will have to be abolished after 1992. However, governments may not be prepared to surrender without a fight, particularly as some of them rely on such tax breaks to sell public debt.
- National restrictions. The European Court ruled in 1986 that EC states could restrict freedom of services on grounds of "general interest", and particularly consumer protection. However, what constitutes legitimate "general interest" has not been spelt out. Some legal experts fear that it could be invoked abusively by countries to prevent legitimate competition and thwart development of the single market.

Equally, EC doctrine states that cross-border services must comply with the general rules of business conduct of the host country. But the dividing line with the mutual recognition principle is vague. It is unclear, for instance, whether governments which prohibit doorstep selling could legally enforce the ban on institutions originating in countries where such techniques were permitted.

- Consumer and investor protection. Practices vary widely. Britain has traditionally relied on maximum disclosure of information to the consumer and recourse to common law, but in many other countries the approach is codified regulation. How smoothly these systems will mesh in a single market remains to be seen.

In a recent paper on the internal market, Professor Michel Vasseur of Paris Law School argues that in financial services "minimal harmonisation . . . will undoubtedly have to go further than envisaged. National laws will have to be pruned of protective and public order provisions. The task is likely to be immense and may slow liberalisation. It is pointless to pretend to ignore the problem." The Commission insists, none the less, that it is sticking to its guns. It accepts that there are many loose ends and ambiguities, but argues that they will be resolved either by the workings of market forces or by being tested in the courts. "The Community being what it is, you either go for a nice neat system of central regulation, or for an untidy one with lots of grey zones which will gradually be clarified," says one official in Brussels.

Hence, the price for assembling the basic elements of the grand design by 1992 may be a good deal of confusion about how they all fit together. It is still too early to judge how big will be the benefits to Europe's financial industries and consumers. But in the early years, at least, lawyers should be laughing all the way to the bank.

Further articles in this series will appear next week.

FINANCIAL TIMES

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Jim Bodgener on dealing with the strains of debt servicing and high expansion

Ankara takes action against economic drift

THE TURKISH Government is finally moving to check the economy's drift since the late November elections which returned Mr Turgut Ozal as prime minister for a second term. Bankers and businesmen are relieved, for this lack of direction resulted in a worrying run on the Turkish lira in late January on the country's unregulated foreign exchange markets.

Until an early February emergency package for the lira and the budget this week, the government seemed to have lost direction - out of keeping with the brisk pragmatism displayed by Mr Ozal and his team previously. Relaxed economic controls in the run up to the election had led to overspending, excessive domestic borrowing, a widening budget deficit, and a year-end inflation rate of between 60 and 65 per cent.

Matters came to a head in the run on the lira on Istanbul's Tahtakale markets – illicit but tolerated unregulated foreign exchange dealing. Popular mistrust of the lira and a flight into foreign exchange deposits in advance of an expected devaluation was fuelled by the abundance of cheap lira chasing ever scarcer foreign exchange resources.

The government's superficial dilatoriness concealed a fundamental debate in the recently-formed Higher Planning Council on the choices between consolidation and continued high expansion. The economy grew by what many consider to be an overheated 6.8 per cent in 1987, and 8 per cent in 1986.

Close advisers to Mr Ozal such as Mr Adnan Kahveci, a minister of state, believe the past two years have demonstrated that the economy can withstand the strain imposed by high expansion at a time of exceptionally heavy debt servicing. Turkey has to repay about $6.5bn in interest and principal this year – largely a legacy of reschedulings in the late 1970s and early 1980s.

Mr Kahveci believes that the answer lies in a higher savings rate. He seeks the introduction of a mandatory savings scheme, whereby the state intercepts a percentage of individual salaries, and invests it in a mutual fund. "We have to instil the habit of saving in Turkish people," he says.

Those in the other camp want an end to expansionary policies which they say have exacerbated inflation and balance of payments problems. A compromise target of a lower 5 per cent growth rate in 1988 indicates the argument has been resolved in their favour – for the time being, at least.

The government is aiming for export-driven growth, as opposed to the domestic demand explosion in 1986. Sales are expected to increase by around 23 per cent to $12.3bn in 1988.

The corrective package of measures for the lira in early February set the scene for the budget and moves by the central bank to drain liquidity last week. The package's central feature was a temporary hike in deposit rates above inflation to 65 per cent. Businessmen earnestly hope it will be a temporary palliative, for if the rate remains for long, it could translate into borrowing costs for industry of more than 100 per cent annually.

After the budget, the central bank moved to drain about TL650bn from money in circulation, which had hovered at about a record TL3 trillion since early autumn last year. It raised the mandatory proportion that banks must deposit with it of their deposit account reserves, from 14 to 16 per cent, and bank liquidity requirements.

In a mopping up operation on Friday, the central bank also tightened up liquidity loopholes in concessionary terms on credits to farmers and small businesses – politically sensitive, and another indication of the government's determination to halt inflationary trends, say bankers.

The budget itself is a holding action, an attempt both to consolidate gains made during Mr Ozal's first term, and dampen growth. Spending on development projects will increase by 4.8 per cent, but few new major schemes will be initiated. Fresh investments by municipalities in particular will be curbed to forestall any extravagances before the local elections in the autumn.

However, projects where external financing is almost committed may go ahead, including a major highway project in Istanbul, part of a route including the proposed third Bosporus bridge and an underground crossing of the waterway. Mr Ozal himself will have to rule in the last resort on on the fate of these schemes.

The lira crisis was another reminder of Turkey's perennial hard-currency, cash-flow problems. More than half of total budgeted spending in 1988 will go towards debt-servicing. The debt structure is imbalanced, with up to $9bn worth of committed but undisbursed project loans in the pipeline.

"What the government needs right now is a large dollop of medium-term balance of payments support - around $1bn," says an Istanbul-based banker. Foreign banks do not help by filling their books with more lucrative project funding and short-term trade financing, say Turkish officials.

Turkey's underlying creditworthiness is not in doubt in international institutions like the IMF and the World Bank. In the latter, the government is held up as model of financial rectitude in the face of its debt servicing burden. World Bank lending looks set to remain at the present level of $1bn annually for the next five years. When the next bi-annual debt servicing peak comes around in June, the government will probably be able to fall back on a $300m World Bank loan for financial sector adjustment, in essence balance of payments lending in return for pledged reforms in the banking sector.

But whether the government will be successful in its attempts to persuade commercial institutions to move into the medium and long-term is another matter. A major balance of payments syndication on the Euromarkets now could meet with a cold shoulder. The progress in syndication of a three-year loan to the central bank valued at $100m, and arranged by Bankers Trust International, is under close scrutiny.

The financial authorities nevertheless over the past two years have become increasingly sophisticated in the opportune placing of ever more complex borrowing instruments in the world's financial centres. Rescheduling – as opposed to restructuring – is anathema still to treasury and central bank officials.

MINISTER PROMISES 'EUROPEAN STANDARDS' IN PRISONS

A TURKISH minister said yesterday that prisons would be brought up to European standards, writes Jim Bodgener in Ankara. The promise by Mr Mahmut Oltan Sungurlu, the Justice Minister, follows a mass hunger strike last week by prisoners protesting against their treatment in Diyarbakir military jail.

The strike, which led to one prisoner's death and the hospitalization of several others, threatened at one stage to spread.

After vociferous support for the strike from human rights activists and opposition politicians, the Government ordered the Diyarbakir prison authorities to upgrade conditions. The prisoners then called off the strike.

In January, it signed UN and Council of Europe conventions against torture. The Diyarbakir prisoners claimed they had been tortured, beaten and chained.

The minister met prisoners' families and representatives of a prisoner-family mutual aid association. He also said prisoners in Diyarbakir jail and another military prison at Mamak near Ankara would be transferred to civilian prisons. Compulsory wearing of prison uniforms has been lifted for the inmates of all Turkey's jails, he added.

A recent report by the international human rights organisation, Helsinki Watch, says that torture of political prisoners continues in Turkey.

Strikes hit public transport

By David Goodhart in Bonn

MUCH OF West Germany is being affected this week by a wave of public transport strikes called in support of a claim for shorter hours on behalf of 1.5m public sector employees.

The public service workers belong to the less fortunate half of the country's workforce which still does a 40 hour week. Their push below 40 is likely to create yet another irritant for the Bonn Government.

The unions are looking for a 5 per cent improvement in their members' terms of employment through a combination of pay rise and reduced worktime. There have already been two inconclusive meetings with government negotiators and another is set for the end of the month.

The current "warning" strikes, directed at that meeting, will today hit the western part of the country and tomorrow the south and east. Such strikes were last seen in 1983.

If the public service workers – led by the main union the Transport and Public Service Workers – succeed in reducing worktime, it will automatically apply to the 600,000 public service workers, police, teachers and civil servants.

West German trade surplus with EC soars

BY ANDREW FISHER IN BONN

WEST GERMANY'S trade surplus with the rest of the European Community rose sharply last year, more than offsetting a significant decline in its surplus with North America, figures from the Federal Statistics Office show.

As already reported, the country's trade surplus reached a new record of DM117.5bn (£39.8bn) in 1987 compared with DM112.6bn the year before. Exports showed a marginal 0.1 per cent rise to DM527bn, while imports eased by 1 per cent to DM409.5bn. But, in volume terms, exports grew more slowly than imports.

A more detailed breakdown by the statistics office in Wiesbaden shows that the steep fall in the dollar against the D-Mark caused a considerable switch in the trade pattern in the US's favour, with the West German surplus down by nearly 15 per cent to DM24.3bn from DM28.5bn.

But the surplus with EC countries – these take just over half of West Germany's exports against nearly 10 per cent going to the US – advanced by 20 per cent to DM62bn (DM51.5bn). "Domestic demand in the rest of the EC has grown faster than in Germany itself," noted Mr William Ledward, European Economist with Merrill Lynch Capital Markets.

He expected the buoyancy of West Germany's neighbouring markets to continue offsetting the currency-induced fall in sales to the US. "Western European economies, in domestic terms, have done pretty well in 1987 and they will do pretty well in 1988," he added. Last year, West German exports to EC countries went up by 4 per cent to DM277.5bn.

Overall, exports grew in real or volume terms by 2.9 per cent, while imports were a real 5.4 per cent higher, after adjusting for price changes. In its latest monthly report, the Bundesbank thus commented: "The attempted gradual reduction of West Germany's foreign surpluses went a good way forward in 1987."

The central bank said the further rise in the trade surplus and the still high current account surplus – DM79.5bn compared with DM82.4bn in 1986 – entirely reflected the drop in import prices caused by currency changes and the corresponding improvement in the terms of trade.

Czech scandal reaches high up

BY LESLIE COLITT IN BERLIN

A CORRUPTION scandal in Czechoslovakia, involving senior government and party officials who received whisky, furs and furniture in return for money and favours, has resulted in the dismissal of two high-ranking officials and reprimands for 11 others.

Maj General Jan Kovac was sacked as First Deputy Interior Minister and expelled from the party, together with Mr Stanislav Dudasek, a department head in the Slovak Central Committee. Their expulsion was the result of "serious violations" of party statutes, the newspaper Rude Pravo reported.

The most prominent officials to be reprimanded were the Minister of General Engineering, Mr Ladislav Luhovy, and Mr Vladimir Janza, a Minister and Vice Chairman of the State Planning Commission.

The officials were the latest to be named in a corruption trial which led to the sentencing to 14 years in prison of Mr Stanislav Babinsky, the manager of a state wholesale company in the Slovak district of Dolni Kubin. He was found guilty of supplying officials up to 1985 with luxury food, furniture, furs and whisky, and of embezzling funds. Among the witnesses at the trial was Mr Bohuslav Chnoupek, the Czechoslovak Foreign Minister, whose Ministry received furniture from Mr Babinsky's company.

Other tantalising details emerging from the trial in Bratislava included helicopter hunting parties and the provision of female hostesses to officials.

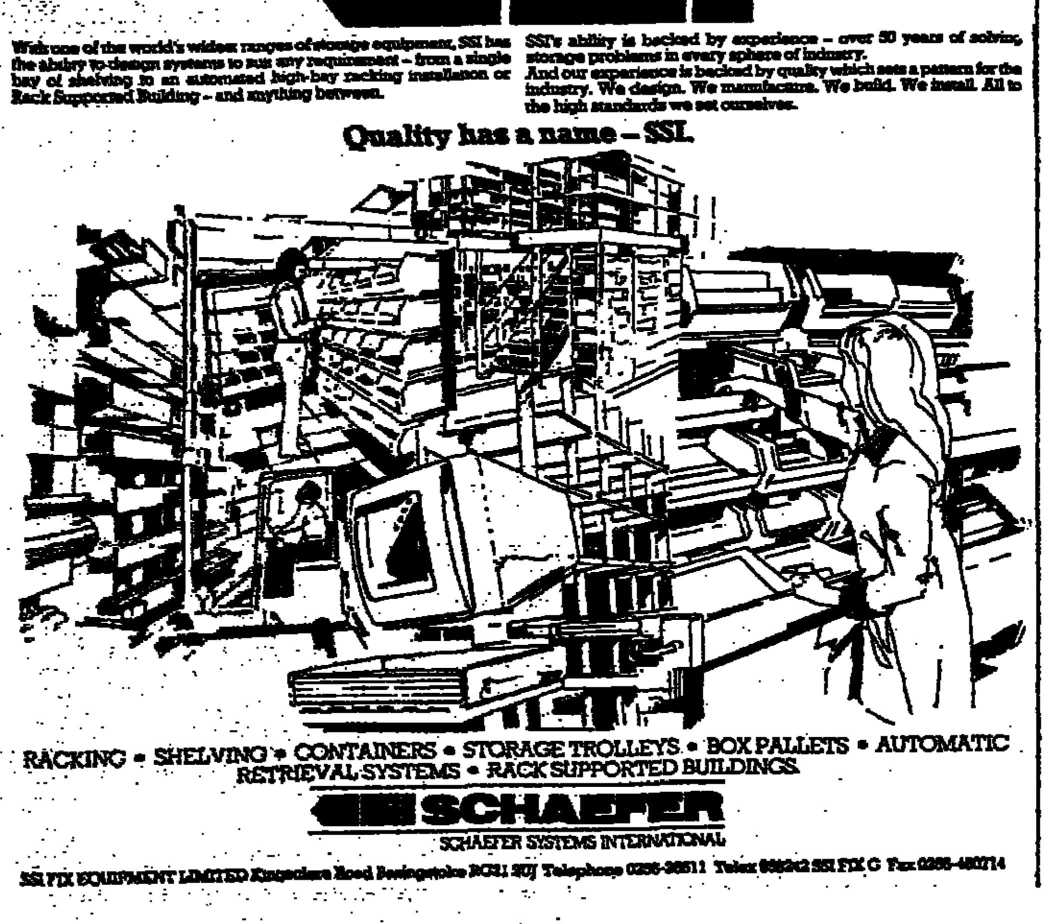
The Czechoslovak party in recent months has spoken repeatedly of the need for higher moral standards. Corruption was rife under 75-year-old Mr Gustav Husak, who relinquished the party leadership last December, and who remains as President. His successor, Mr Milos Jakes, indicated that he would take a tougher line towards corrupt officials.

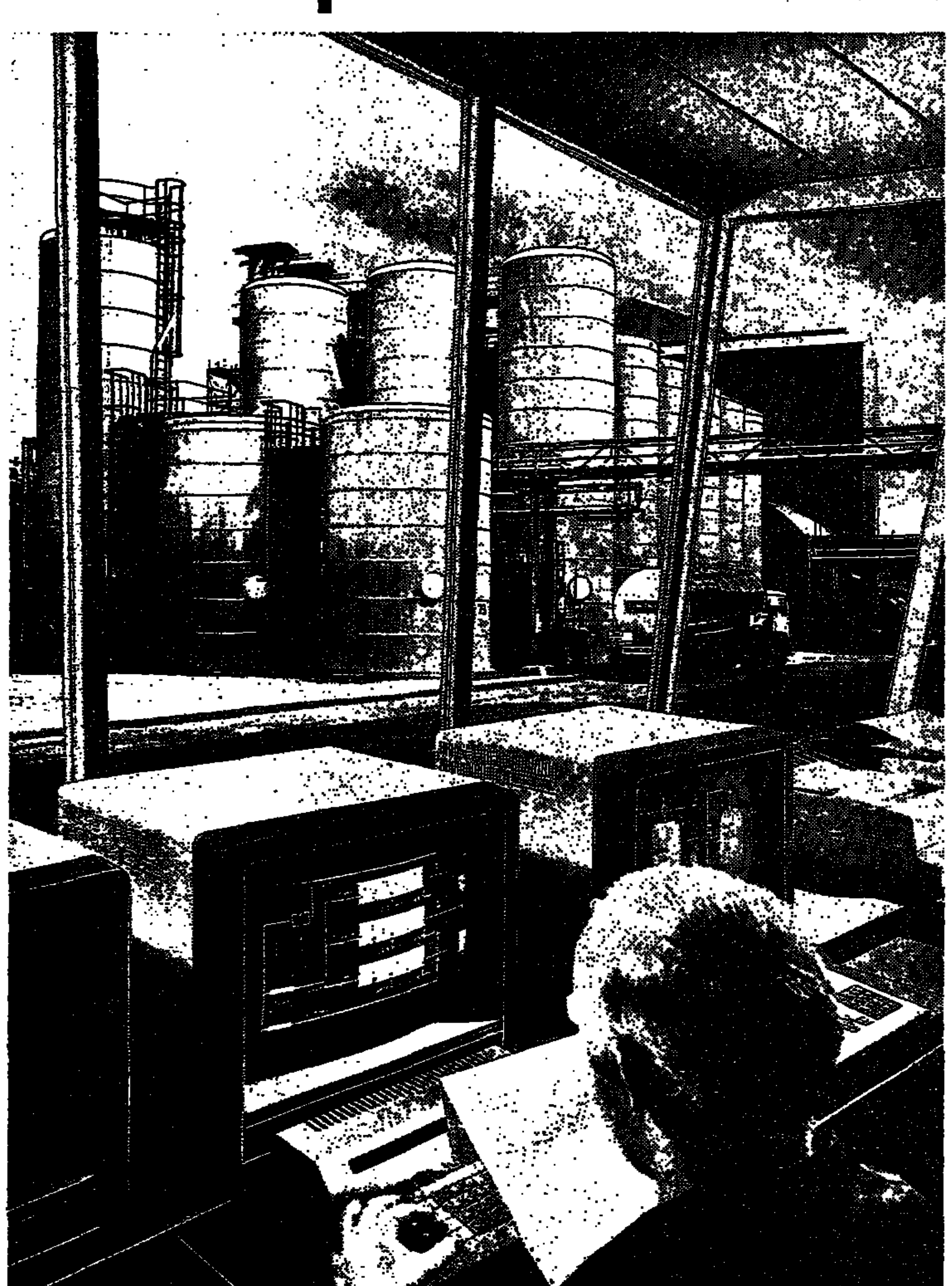
The sentencing and reprimanding of officials, however, was seen in Prague as an effort to cover up for even more senior party and government officials.

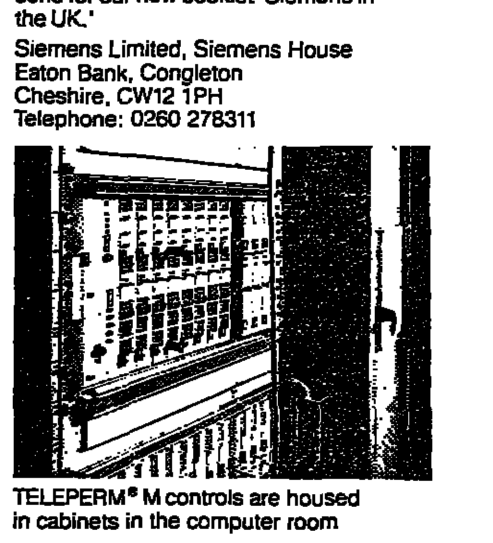
Among those reprimanded was Mr Jan Bako, the deputy chairman of the Slovak planning commission and Mr Jan Gonda, a former Slovak Deputy Minister of the Interior.

Mr Chnoupek, who has a serious heart ailment, is rumoured to be in line for retirement. Diplomats noted that the Interior Minister, Mr Vratislav Vajnar, was in Austria last week on an official visit, which normally would have been carried out by the Foreign Minister.

Rumours were also circulating in Prague that the Prime Minister, Mr Lubomir Strougal, might be relieved of his duties at a meeting of the Central Committee some time next month. Mr Strougal indicated in a recent interview that all the past leaders of Czechoslovakia had failed to introduce economic reforms and to modernise the ailing economy.







South African jet shot down over Angola

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African defence force yesterday announced that an air force jet was shot down by Angolan ground fire during an air attack on Cuban and Angolan government Fapla forces in south-east Angola on Saturday afternoon.

The 31-year-old pilot is missing.

The raid, which the statement said was against reinforcements "which posed a potential threat to South African forces", is understood to have taken place near the besieged town of Cuito Cuanavale where five South African conscript soldiers were killed last week.

The air raid took place shortly after two reportedly successful air attacks on Saturday morning. The targets then were South West Africa Peoples Organisation (Swapo) training camps near the heavily defended Cuban and Angolan garrison and air base of Lubango, 300km north of the border with Namibia, and Ongiva, 60km north of the border.

Both the latter raids were decribed as revenge for Friday's bomb explosion at a bank in the northern Namibian town of Oshakati which killed 20 people and seriously wounded many more. Swapo denied responsibility for the blast.

The defence force ignored the denial and yesterday announced that its forces had mounted further revenge raids on Swapo bases near Ongiva over the weekend using long-range mortars to pound the advanced staging area for Swapo cross border raids into Namibia.

The latest confirmation of continuing fighting in the southern Angolan region reflects South Africa's determination to strengthen the military and political clout of the Unita rebel movement led by Dr Jonas Savimbi and send a strong signal to Moscow and Havana that the 12-year-old civil war can only be ended by negotiations and by military means.

● At least 12 people have died in floods which have swept across a broad swathe of southern Africa from the Orange Free State through Swaziland and the southern provinces of Mozambique.

The floods, which followed floods in Natal where more than 60 people died last year, has caused extensive damage to roads, railways, dams and farms but marks the definitive end of what was a seven-year-drought for large areas of southern Africa.

Pretoria aims to shave rate of inflation

By Jim Jones in Johannesburg

THE South African Reserve Bank has targeted a broadly-defined money supply growth rate of between 12 per cent and 16 per cent this year – consistent, it believes, with real economic growth of between 2.5 per cent and 3 per cent and a further shaving of the inflation rate.

The targets appear designed to allow South Africa to generate the balance of payments surpluses needed to service and repay foreign debt.

Announcing the new targets for M3 growth in Pretoria yesterday, Dr Gerhard de Kock, the Reserve Bank governor, said the reduction from last year's 14 per cent to 18 per cent target range signals the monetary authorities' determination to prevent excessive money supply growth from reversing the declining inflation trend of the past two years.

Three years of falling living standards have made inflation a political hot potato. Although Dr de Kock was reluctant to specify a likely inflation rate for the current year, judging by the gross domestic product and M3 growth targets the authorities are hoping inflation will drop to 13 per cent or less. In January this year inflation, measured as the year-on-year change of the consumer price index, was 14.2 per cent against 26 per cent in the first quarter of 1986.

Comrade Pu Jie is part of a plan to restore the status of the Manchu people, reports Robert Thomson

The Last Emperor's brother finds his role

IN A PEKING backstreet, flanked by a refrigerator repair yard and a flourishing vegetable market, the courtyard home of the man who might have been emperor is hidden behind a red door. Pu Jie, brother of Pu Yi, the last emperor, now considers himself to be nothing more than a "drop of water in a sea of 1bn Chinese."

With a retinue of one housekeeper, Pu Jie, 80, is less harsh on himself these days. A few years ago, he was a "drop of dirty water" in that sea while he and the party were still coming to terms with his guilt-edged past.

The rehabilitation is complete. Comrade Pu Jie, as he is known, is a party-appointed representative of the Manchu minority that ruled over China as the Qing dynasty until 1911 and has merged almost seamlessly with the majority Hans. Even a Chinese cannot tell the difference.

The dynasties, the emperors and their hangers-on are officially referred to by the party as the "feudal past," and the lingering traits, such as the nepotism that started with the emperor and trickled down to fields, are collectively referred to as "feudalism." It has served the dynastic doctrine of the day to rewrite the history of the preceding rulers, emphasising the brutality and highlighting the need for change. The Communist Party has been no different.

For ordinary Chinese, life often goes on regardless of palace or party intrigue. "The sky is high and the emperor is far away" as the old peasant saying goes.

The adolescent Pu Yi portrayed in the film The Last Emperor

The sense of being a "small potato," of being an impotent observer, is as almost strong among the masses now as they watch convoys of black Mercedes bearing party officials as it was for those who cleared the way for the sedan chairs of the emperor's retinue.

While the former leader, Mao Zedong, sought to crush the old ways, he rekindled the personality cult of the past. Peking again became the seat of the emperor and it is fitting that his portrait should hang above the entrance to the Forbidden City and appropriate that the faded wedding cake of a building that is the Mao memorial should stand on the heavenly axis.

Unlike Mao, Pu Jie did not necessarily want to be emperor, though the title could have been thrust upon him had the Japanese won the war. In the 1930s, his brother, Pu Yi, was resurrected as emperor by the Japanese, who at that time occupied the north. The puppet state of Manchukuo was created with a view to the brothers Pu eventually ruling a China under Tokyo's control. Since Pu Yi was childless, the rules of succession were changed to allow Pu Jie to become the next emperor.

"I never really thought that I would become emperor, though, at that time, there was a possibility," explained Comrade Pu, who had a marriage arranged for him with Hiro Saga, a cousin of Japan's Emperor Hirohito, to tighten Tokyo's hold on the Chinese throne.

The Japanese connection remains strong. There is already a place reserved for some of his ashes at the same tomb.

As for his brother: "during the time I was Pu Yi's younger brother in the palace, I never called him my brother because he was the emperor. We were really only brothers when I returned from the Soviet Union in 1950 after five years." The two shared a house until 1967, when Pu Yi died of kidney cancer.

Pu Jie saw and enjoyed the just released film, The Last Emperor, though he considered it a touch inaccurate. "There are a lot of difference between the facts and the film. That is okay as long as the film is interesting and amusing for people. I think it is an interesting film.

Pu Jie, who is a keen gardener and calligrapher, adopted the name William after scouring a list of English kings. He is now a representative of the Manchus and works on history committees. Curiously, the rarefied palace existance meant that neither he nor his brother used the Manchu language and he still has not mastered it.

He disliked the separation from ordinary people that was implicit in his past role, and now feel he is making a contribution to China's modernisation drive. "I think I am very lucky," he said. "I have had a lot of experiences."

Although he is a communist, he is not a member of the party. He maintains that, "as an ordinary Chinese," the ove-rhwelming virtues of the party are obvious. "The Party has adopted the correct line for the minorities like the Manchus. Now people understand that we are all Chinese."

When Pu Jie, who has written a set of unpublished memoirs, needs help with the Manchu language, he consults an academic, Zhao Zhan, of the national minorities council. Professor Zhao read The Last Emperor script and also considered that it was not necessarily true to history. He works to improve the status of Manchus, who were badly treated during the cultural revolution (1966-76), when Pu Jie came under the direct protection of the premier, Zhou Enlai.

Professor Zhao had problems, but prefers not to elaborate. Overall, the Communist Government has been much more sympathetic than their predecessors, he says. Before the revolution in 1949, Manchus were insulted and discriminated against, and it is only now that many are again proud to be Manchu.

The professor explained that the Government was soon to revise its estimate of Manchus from 4.3m to 7m as more claim their rights of nationality. Even he finds it difficult to tell Hans and Manchus apart, but explains that Manchus have slightly higher cheekbones, a small toenail that is underdeveloped, marginally straighter hair, and a better chance of having Group B blood.

Roh pledges democratic era

BY MAGGIE FORD IN SEOUL

MR ROH TAE WOO, President-elect of South Korea; yesterday promised to usher in a new democratic era when he was re-elected chairman of the ruling Democratic Justice Party three days before his presidential inauguration.

At the 50-minute party convention, conducted in an austere style befitting the "ordinary man" image which Mr Roh is cultivating, the new leader pledged to bring democracy to the party itself by allowing the election of committee chairman and to broaden the party base.

The next task was to win the National Assembly elections, to be held in April, so as to achieve "democracy and prosperity under conditions of stability", and to stage successfully the 1988 Seoul Olympic Games, he said.

Mr Roh is expected next week to announce an amnesty for more than 7,000 prisoners, including 1,200 in jail for political reasons. His inauguration on Thursday is to be followed by a meeting with Mr Nobura Takeshita, Japanese Prime Minister.

President Chun Doo Hwan, the outgoing leader, will not take part in the ceremony, apparently in accordance with Mr Roh's wish to be seen to introduce a different style of government. Mr Roh has already appointed a Prime Minister with a record of resistance to authoritarian rule – Mr Lee Hun Jae– but disappointed many people with the announcement of his new Cabinet last week.

His failure to replace any of the main ministers with new faces has attracted strong press criticism. Some observers believe, however, that a further reshuffle may take place after the inauguration, as a sign that Mr Roh has fully taken charge.

● The Government will repay $500m in loans from the World Bank ahead of schedule during the first half of the year, the Finance Ministry said.

The ministry officials, who spoke on condition of anonymity, said the decision was in response to the Bank's request for an early partial repayment. South Korea now owes the bank $3bn in loans. South Korea repaid about $9bn in public and commercial loans last year, reducing its total debts to $35.6bn by the end of the year.

Hostage demands spelled out

By Nora Boustany in Beirut

THE captors of Lt Col William Higgins, the US Marine abducted in south Lebanon last week, have demanded Israeli withdrawal from all occupied territories as the price for his freedom.

In a videotape released by his kidnappers early on Sunday the US officer, who headed the Lebanese unit of the UN Truce Supervision Organisation, said that The Organisation of the Oppressed on Earth had also insisted that all Lebanese and Palestinians in Israeli jails should be released and that US should end its involvement in Lebanon and the Middle East.

Lt Col Higgins, who was grabbed by bearded gunmen on February 17 near Tyre, was unshaven and expressionless on the videotape.

He spoke, apparently from a text, in an even regimented tone.

The Organisation for the Oppressed on Earth, a shadowy group believed to be a front for underground Iranian intelligence work in Lebanon, called upon Mr Nabih Berri, the Minister of Justice who heads Amal, the mainstream Shia movement, to halt the hunt being made by its militia to find the missing American.

His abductors have accused him of being a top secret agent for the Central Intelligence Agency using the UN as cover for his activities in south Lebanon.

Amal has shown unprecedented determination to find Lt Col. Higgins who was seized minutes after meeting one of Amal's senior political officials in Tyre.

Kenya poll system put to test

BY VICTOR MALLET IN NAIROBI

A CONTROVERSIAL pre-selection system for candidates in Kenya's March general election was put to its first test yesterday when thousands of Kenyan party members queued in the midday sun beneath posters of their favourites.

Church leaders, lawyers and others have criticised the public queueing on the grounds that it would intimidate voters and disenfranchise those who are not members of the ruling Kanu party. But the Government says the procedure should reduce corruption.

Only the most successful candidates in yesterday's poll are allowed to stand in the March 21 election, while anyone who gains more than 70 per cent of the vote is returned unopposed.

First indications were that the turnout for the queueing was low at least in Nairobi.

The election campaign produces heated debate at the constituency level and has already been marked by stone-throwing and allegations of bribery. On Sunday a local official caused uproar in a church by grabbing a bishop's microphone during his sermon and telling him not to talk politics. Bishop Alexander Muge was preaching against vote-buying by Kanu officials. One candidate was even kidnapped by his rivals in attempt to prevent his nomination.

At the national level the election is likely to have only an indirect impact on government policies. Kenya has been a one-party state since 1982, parliament has had its supremacy questioned by Kanu leaders, and President Daniel arap Moi will be re-elected unopposed. In advance of the poll, however, Mr Moi has made conciliatory moves aimed at domestic and international opinion.

He announced the release of nine detainees on the same day that he called the election and shunted aside Mr Justus ole Tipis, his hard-line Security Minister, to the Ministry of Works.

The Government appears increasingly confident that, after the trials of more than 70 people, it has virtually crushed Mwakenya, the underground socialist movement. Kanu has been making a membership drive and President Moi is hoping that this year's election turnout - the critical figure in African one-party contests - will be better than the 48 per cent achieved in 1983.

NZ to pay off debt with Petro Corp proceeds

THE New Zealand Finance Minister, Mr Roger Douglas, said yesterday that all the NZ$788m (£303.1m) proceeds from the sale of the Government's 70 per cent stake in Petroleum Corporation of New Zealand would be used to pay off overseas debt, **AP-DJ reports from Wellington.**

Last week the Government announced it was selling the stake to British Gas of the UK.

The Government will now retire about NZ$1.4bn of overseas debt in the fiscal year ending March 31. It had already decided on the repayment of NZ$600m of borrowing.

Mr Douglas said it was the first year since 1952 that New Zealand had acted to reduce its official overseas debt.

New Zealand's official overseas debt of more than one year to maturity stood at $17.4bn, according to figures up to the end of last September. There is also around NZ$1bn of shorter-term debt, the Finance Ministry said.

Mr Douglas described the repayment as "a drop in the bucket" compared with the NZ$21bn of overseas debt which the Labor Party government inherited when it came to power in 1984. A strengthening of the New Zealand dollar since then has helped to cut the burden.

"Public debt is the millstone around this country's neck. Servicing it is taking one dollar in every five the Government spends, compared with one dollar in 15 in 1975," Mr Douglas said.

"Meanwhile, the Government is rich in assets which in many cases are either failing to make an adequate return, or have no particular role in the fulfilment of government policy."

Mahathir chooses loyal leaders for new party

MALAYSIA'S Prime Minister Dr Mahathir Mohamad, who appears to have warded off challenges after his party was declared illegal, has dropped all rivals from the leadership of his new party, **Reuter reports from Kuala Lumpur.**

Dr Mahathir announced the line-up for the new United Malays National Organisation after chairing its first Supreme Council meeting on Sunday.

Eight of the previous Supreme Council members loyal to Dr Mahathir's rivals, former Trade and Industry Minister Tengku Razaleigh and former deputy Prime Minister Datuk Musa Hitam, were removed from the 34-member decision-making body. Dr Mahathir made his aides leaders.

He said last Tuesday, when Umno Baru (New Umno) was accepted as head of Malaysia's 13-party ruling National Front coalition, that the criterion for membership admission was loyalty to the party.

His original party, Umno, was ruled to be illegal early this month in a suit brought by 11 dissident members.

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AMERICAN NEWS

Dole faces severe test in Minnesota

BY STEWART FLEMING IN WASHINGTON

SENATOR Robert Dole, his Presidential campaign shaken by Vice President George Bush's victory in the New Hampshire primary, today faces a severe test of his ability to recover when voters in Minnesota and South Dakota begin to select delegates to their national conventions.

Vice President George Bush appears to have written off the two states to concentrate on Texas and the South, but both Mr Pat Robertson,the former television evangelist, and Rep Jack Kemp, have been campaigning vigorously .

Indeed there is speculation that Mr Robertson could challenge Senator Dole for first place. Mr Robertson finished second in neighbouring Iowa on February 8 underlining the seriousness of his challenge and he could bring his organisational skills to bear again in Minnesota.

Like Iowa, Minnesota is a caucus state where Mr Robertson has built a solid base of support among viewers of his Christian Broadcasting Network.

Such a finish would leave the poorly financed Kemp campaign struggling ahead of the Republican primaries and caucuses in 17 states on "Super Tuesday" March 8. Democratic candidates will be contesting in 20 states on that day.

On the Democratic side the stakes for one candidate, Senator Paul Simon of Illinois, are higher. After his disappointing third place finish in New Hampshire behind Governor Michael Dukakis of Massachusetts and Rep Richard Gephardt of Missouri, Senator Simon - a midwesterner from Illinois - admitted that he probably needed a victory in either South Dakota or Minnesota to stay in the race.

The main focus of the Presidential campaigns of the front runners in both parties is on Super Tuesday when over one third of the delegates to each party's convention are at stake, but Mr Simon is well aware that his rivals have made a major effort in both South Dakota and Minnesota.

Governor Dukakis has invested heavily in Minnesota whose block of 86 delegates to the Democratic convention is an attractive prize even though they will be distributed among the candidates according to the proportion of the vote they receive.

Volcker warns on threat of recession

By Stewart Fleming in Washington

CONTINUED dependence on foreign borrowing to sustain America's economic expansion could lead to "financial chaos and economic recession," according to Mr Paul Volcker, the former chairman of the Federal Reserve Board.

Mr Volcker's comments came as Mr Alan Greenspan, his successor at the Fed, was preparing to make his first semi-annual report to the Congress on the conduct of monetary policy.

Last week, after several days of speculation in the financial markets that the central bank might be on the verge of easing monetary policy and seeking to lower interest rates, Mr Greenspan appeared to hint strongly that no major change in the thrust of monetary policy was on the horizon.

Mr Volcker strongly defended the Fed against critics who have been charging that last October's slump in the stock market was triggered in part by rising interest rates. He said the central bank did not have much to apologise for.

Mr Volcker, speaking to the winter meeting of the National Governors Association meeting in Washington on Sunday, said the US could not sustain its current borrowing binge indefinitely because foreign investors would lose confidence.

Borrowing at the rate of $150bn a year or so "carries the seeds of its own destruction . . . .we are on a course which is essentially unsustainable," he said.

He insisted, as he did during his tenure at the Fed, that since Americans are not a nation of savers it was "dreaming" to assume that the nation's financing gap, its dependence on foreign capital, could be closed by higher domestic savings.

Since cutting investment was not desirable, that left a reduction in the budget deficit as the only viable course. There was, he suggested, probably no alternative to a tax increase to achieve that reduction.

Robert Graham, recently in Bogota, on violence side by side with prosperity

Guerrillas fail to dent Colombian economy

Virgilio Barco: stretched

THE LEAST known and traditionally most ineffectual of the leftist guerrilla movements in Colombia has begun to make a name for itself.

The small pro-Cuban Nacional Liberation Army (ELN) has blasted its way into the public eye with an escalating series of attacks on economic targets. Last month 16 separate assaults were recorded on oil pipelines, including the strategic trunk-line carrying crude from the Cano Limon field to the coast.

These attacks have on more than one occasion forced a temporary suspension of Colombia's 137,000 b/d oil exports and have highlighted the vulnerability of the oil industry to guerrilla sabotage. The ease with which the guerrillas have been able to inflict serious damage also underlines the extent to which the Liberal government of President Virgilio Barco is stretched to maintain law and order in a vast country with a poor infrastructure.

Until now, the exceptionally high level of violence and personal insecurity caused by a combination of guerrilla insurgency, the activities of a powerful drug mafia and a high level of common criminality has had remarkably little direct impact upon economic performance or investor confidence.

Alone on the continent, Colombia has sustained continuous growth throughout the past five years of the debt crisis. Last year the economy grew 5.6 per cent and private sector investment was up 10 per cent. Foreign investment in the first ten months of last year totalled $2.9bn – double the level of 1983 – reflecting the continued inflow of funds into the development of oil and coal.

One simple explanation for this phenomenon of violence side by side with prosperity is the large supply of dollars from the illegal drugs trade. According to government officials familiar with the drugs trade, the net inflow of "narco-dollars" is around $900m - the precise figures being confused by the known under-invoicing in other exporter sectors, especially coffee and fresh-cut flowers.

While this drug money provides a cushion, it is does not fully explain the buoyancy of the economy. Experts at the Banco de la Republica stress the traditional strength of Colombian agriculture which provides 23 per cent of GDP.

Coffee is the mainstay of agriculture and in a medium year will $1.7bn, over a third of total export earnings. Coffee production, situated round the central highland town of Manizales, has been affected neither by guerrilla violence nor by the drugs trade. Another leading export business, fresh cut flowers generating over $170m a year, is based on the safe plateau round the capital, Bogota.

Nevertheless, the four guerrilla groups, totalling no more than 15,0000 under arms, are reckoned to control up to one third of all arable land. They have not hesitated to burn crops, murder and exact extortion through kidnap and protection money, especially among the large cattle ranchers in the south round Cali and the Cauca region. But even under these circumstances production has suffered less than might be expected.

Some big landowners have been forced to sell out and others have reduced their holdings concentrating on more secure units which are better farmed with capital intensive methods. Elsewhere, the drug barons have indulged their desire for respectability in large land purchases. Some of the finest estates in the Cali and Medeillin areas are now drug financed, and policed by the mafia's henchmen.

The guerrilla groups have encouraged yeoman-style farmers to set up and unlike other strife-torn Latin American countries, the peasants have not felt constrained to migrate. In El Salavador, Guatemala and Peru, for example, insurgency has forced peasants to either crowd into the cities or move to safer rural areas where they create friction with the local inhabitants over land and jobs.

The sense of stability within the climate of violence is reinforced by the balanced nature of the economy, and the highly conservative approach to economic management.

Colombia has built up net reserves of $3.4bn, equivalent to 13 months imports or almost a quarter of the total foreign debt. The country's healthy payments situation has meant that the $15bn foreign debt has been serviced without the kind of austerity measures witnessed elsewhere in the region. Indeed, unemployment has begun to fall rapidly in the past two years with the most new jobs being created in construction, electrical goods manufacture,leather and textiles. Unemployment has dropped 3 per cent since 1986 and is almost below 10 per cent.

Private sector confidence continues to be aided by high returns on capital and the fact that dollars are cheap and easy to obtain (thanks to the drugs trade). Factory managers talk of an unprecedentedly low level of labour unrest, attributing this to the expanding job market. Labour leaders say their militants have been cowed by right-wing death squads who have carried out a systematic campaign of intimidation and extermination over the past decade.

Preliminary official estimates point to overall growth slowing to 5 per cent this year – still well above the regional average.

The principal variants in the picture will be the fate of oil exports, improvements in coal sales, the international price of coffee and the level of domestic confidence. The latter is the hardest to gauge in the aftermath of the government declaring an all out war on the drug barons following last month's brutal assassination of the attorney general.

However, it is possible that the uncertainties caused by the more determined fight against the mafia, coupled with heightened guerrilla activity, will begin to affect business confidence, especially foreign confidence.

Oil is now providing just under $1bn a year in exports and the petroleum industry has become the most visible evidence of foreign confidence in Colombia. In targetting oil installations, the guerrillas could well have a disproportionately large impact – both in exposing government impotence and in undermining foreign confidence.

Argentina condemns UK military manoeuvres

BY TIM COONE IN BUENOS AIRES

ARGENTINA is likely to request an emergency debate in the UN Security Council on the forthcoming UK military manoeuvres in the Falkland Islands, following a condemnatory resolution unanimously approved by the Argentine Congress last week.

The resolution which was passed in the Lower House of the Congress on Thursday, but only published yesterday, sharply condemns the manoeuvres. It claims they are of a "scale that makes evident the continuation of an aggressive policy (by the UK), which is opposed to the search for negotiated solutions, and inspired in the use of force as a means of gaining political and military advantages over the Argentine Republic".

The resolution calls upon President Raul Alfonsin to make requests for emergency debates in the UN Security Council, and in the Permanent Council of the Organisation of American States (OAS), to obtain an international condemnation of the manoeuvres which are scheduled for March 7-31.

The manoeuvres were announced two weeks ago and are intended to test the airlift capability of the UK armed forces to reinforce the 2,000 strong army garrison stationed there, in case of an emergency.

Swaggart tries to minimise the damage

BY RODERICK ORAM IN NEW YORK

MR Jimmy Swaggart, the US television evangelist, is not alone in praying that his swift confession of his sexual sins will minimise the public damage to himself and his religious movement.

"I take the responsibility. I take the blame. I take the fall," he sobbed to his 8,000-strong Louisiana congregation on Sunday. He said he was stepping down from the church after revelations that he had met prostitutes.

Words of forgiveness flowed swiftly from many fellow US charismatic Christians and politicians who tap the moral fervour the evangelists inspire.

However, beyond their concern for him lies the fear that protracted public scrutiny of yet another church sex scandal will further undermine their ministries and campaigns. So far his friends have rallied around him. "You'd love to let the people know the real story," one of his close associates said, "but I have to abide by church orders not to comment."

This support could crumble under intense public and media scrutiny, however, as it did almost a year ago in the case of Jim and Tammy Bakker. The Bakkers, like Mr Swaggart, members of the 3m strong Assemblies of God pentecostal church, fell from grace in a sex, money and drug addiction scandal. Mr Swaggart had blown the whistle on them.

While Mr Swaggart's earnest confession on Sunday may satisfy his followers close at hand, the lack of details merely heightened interest among some segments of the public. Thus, the media is digging deeply into the exact nature of his sexual sins which reportedly involve paying prostitutes to perform pornographic acts.

The wide public fascination with the fall of men like Mr Swaggart and Mr Bakker virtually guarantees that the Swaggart scandal will rumble on. Fellow television evangelists are likely to experience a further decline in their donations from viewers although, as they found in the aftermath of Bakker, those can be rebuilt .

Politicians do not have time, however. Primaries are on them now and final elections are only nine months away. The person who stands to attract the most hostile questioning as the scrutiny intensifies is Mr Pat Robertson, the Republican presidential candidate.

He has already weathered the revelation that his son was conceived out of wedlock and has tried to distance himself from his past career by angrily rejecting the label of television evangelist. He was, he insisted, a Christian broadcaster.

Reagan to hold press conference

PRESIDENT Reagan will hold a press conference tomorrow, his first since October 22, the White House announced yesterday, **Reuter reports from Washington.** It will take place a week before Mr Reagan is due to travel to Brussels for a Nato summit.

Panama Canal

IN the *Financial Times* of February 22 it was erroneously stated in an article on Panama that 60 per cent of US exports and US-bound trade passed through the Canal. This should have read that 60 per cent of Panama Canal traffic consists of goods being carried to and from the US.

WORLD TRADE NEWS

Export credit agencies 'face fall in demand'

BY PETER MONTAGNON, WORLD TRADE EDITOR

EXPORT credit agencies face a continuing decline in new medium-term credit business despite a generally more open attitude to the provision of cover, even for countries with a history of payments difficulties, according to a new study of export credit flows prepared by the International Monetary Fund.

"Weakness in demand has been general and, in fact, some of the more marked declines have been for countries where the agencies are quite open," the IMF says. Even countries with no payments difficulties have been cutting back on large, public-sector projects for which export credit insurance has traditionally been sought.

The decline in credit demand has meant that higher premiums for riskier countries have had little impact on the overall level of premium income, which has also been affected by a shift in business towards the better-rated industrial countries, it says.

The IMF notes a distinction between medium and short term business, which has held up well in developing countries. Some agencies have even increased such business, but it warns that this may have added to the pressure on developing countries by increasing their short-term debt burden.

In some cases, capital goods that would normally have attracted medium-term cover are now being financed over the short term.

"In the context of weak demand, competition among agencies has intensified. Some agencies have adopted a very aggressive position in markets they consider desirable, and mixed credits have been used increasingly to win export contracts in countries that would not necessarily be major aid recipients," the IMF says.

Export credit agencies should be more selective about the quality of the projects they finance and explore ways of responding to the increasing role of the private sector that many developing countries now see as part of their economic strategy.

The agencies have generally been reluctant to provide cover to private sector buyers because of inadequate security and legal protection. The IMF suggests that the International Finance Corporation, the World Bank affiliate that promotes financial flows to the private sector, could provide technical assistance in this respect, or at least further investigation of the problem.

Most agencies covered by the IMF in its survey reported that claims payments resulting from the debt crisis were levelling off and recoveries were beginning to rise.

"However, even with favourable developments, agency deficits are expected to remain large in absolute terms," it says.

Officially Supported Export Credits. Price $7.50. Publication Services, International Monetary Fund, Washington DC 20431.

Hermes reports higher than expected deficit

HERMES, the West German export credit guarantee office, has reported a higher-than-expected deficit for 1987 of about DM1.5bn (£500m) - nearly DM500m up on the previous year. **David Goodhart reports.**

An Economics Ministry assistant secretary, admitted: "This is rather higher than we had been looking for".

There were two main reasons for the overshoot. First, a large number of rescheduled claims were not paid. Second, the agency was hit by higher outlays on projects in developing countries which had been interrupted because of shortage of hard currency.

There was no noticeable sectoral pattern to the problem but the countries involved were Nigeria, Poland, Brazil, Argentina and Libya.

The official stressed that the DM1.5bn deficit was a simple aggregation of premiums received minus payments made. It took no account of the eventual recoverability of claims against debtors.

EC states in offer to boost Gatt talks

By David Buchan in Brussels

THE 12 European Community member-states yesterday agreed on an offer to scrap certain national import quotas to give a fresh boost to the current Gatt trade talks.

But Mr Hans-Dietrich Genscher, the West German Foreign Minister who chaired yesterday's EC ministerial meeting, warned that Japan would have to respond with "market-opening" measures of its own if it wanted to benefit from the EC offer. A similar EC offer in 1979 lapsed because Japan did not reciprocate.

The EC Commission will now table the quota-scrapping offer in the continuing Gatt talks in Geneva. At Punta del Este in September 1986, Gatt participants committed themselves to "roll-back" quantitative restrictions on trade, and yesterday the EC claimed to be the first to fulfil this commitment. The EC has already made trade-liberalising proposals on agriculture, services and intellectual property.

The EC offer is essentially political. None of the national quotas which individual EC member-states have offered to scrap are of major commercial importance.

They range from chicory roots in the case of Belgium, to used tyres in the case of Ireland, to jute sacks in the case of the UK and France, to cutlery in the case of Italy. They do not, for instance, include cars, of key interest to Japan.

Italy had argued that no concessions should be made that could possibly benefit Japan, until that country further opened up its market. But a majority of EC states yesterday prevailed over Rome's objections, on the argument that an EC offer to "roll back" quotas would put the onus to act on Tokyo.

EC foreign ministers also gave their blessing yesterday to recent textile import accords which the Commission has negotiated with Turkey and Egypt.

But to soothe Portuguese fears about rising imports, the Commission was instructed to give the Council of Ministers an early study on the state of the EC textile industry.

Richard Gourlay looks at plans hampered by a severe shortage of foreign exchange

Manila opens lines to telephone contracts

PHILIPPINE Long Distance Telephone, the telecommunications company, says eight equipment suppliers have submitted bids for a $365m expansion contract, but it is proving difficult to finance because of the country's severe shortage of foreign exchange.

About $173m of PLDT's so-called X-Five Expansion will be for the cost of imported equipment – local exchanges, 130,000 new lines and a digital gateway, or toll exchange that links foreign and domestic users. The balance is the local peso cost.

PLDT expects bids before the February 28 cut-off date from Siemens, AT&T, Northern Telecom, Ericsson, Plessey, NEC, Fujitsu and Alcatel-SEL. The company, which is traded on the New York and Manila stock exchanges, has a virtual monopoly of domestic and international voice traffic.

The deal has the additionally attractive aspect in that PLDT will next month ask the National Telecommunications Commission for permission to add 350,000 more telephone lines and more exchanges at a cost of $660m.

This second phase of the expansion is far from cast in stone and further still from being approved by the government. But it may have sharpened terms in the current bidding if suppliers think they will gain a head start in the second phase of expansion by having already supplied compatibile equipment.

The country's shortage of foreign exchange means that the financing package a supplier can arrange for PLDT will be as important as the technical capability of the equipment.

Last year 483 commercial bank creditors rescheduled $13.2bn of the country's $28bn of debt and will see their first principal repayment at the earliest in seven years. As a result, many banks are unlikely to lend new money, bankers say, effectively cutting PLDT off from the internatioanl credit market for the moment.

Furthermore, the Philippines has less than $1.8bn in foreign reserves – the equivalent of 3½ months of imports. It will pay $2.3bn of what it expects to earn from exports – between $6bn and $7bn – in debt service in 1988. Any financing package that would increase the strain too much on the depleted reserves will simply not receive central bank approval.

> Telecommunications sector has been singled out as vital for development

PLDT and its potential suppliers appear to be left with three options, all of which they are pursuing. The first is to seek help from multilateral aid lenders, some of which are increasingly interested in financing private sector investment in infrastructure that will help development.

The Manila-based Asian Development Bank is considering a loan for the first X-Five Expansion while the International Finance Corporation, the World Bank's affiliate that lends to the private sector, financed a $24m portion for an early stage of the programme.

Second, PLDT is trying to free funds for expansion by refinancing some of its $500m of foreign debt – possibly more than $200m – which is falling due in the next few years. The moratorium on debt repayments agreed with the commercial banks in 1983 means PLDT still has to meet its commercial repayment schedule but pays in pesos, instead of foreign currency and to the Central Bank rather than the creditor.

Finally, PLDT could use supplier credits, details of which the bidders have been asked to submit with their technical proposals. Although suppliers may have to arrange the bulk of the credit, this route is complicated by the near certainty that the central bank will not approve a government guarantee.

The telecommunications sector has been singled out by Mr Jose Fernandez, the governor of the central bank and President Corazon Aquino as a crucial sector for development in the Philippines. But the government is reluctant to continue guaranteeing private companies – a practice that was often abused during the years of former President Ferdinand Marcos – even though *PLDT* is the country's largest private company.

PLDT's backers are hoping that the second phase of the X-Five Expansion may encourage export credit guarantee organisations, like Hermes in West Germany and the Overseas Economic Co-operation Fund in Japan, to offer political risk cover for more than 85 per cent of the contract.

PLDT is clearly in need of new equipment and a shake-up in its service if the Philippines is to compete with countries like Thailand as a home for international investment.

The bureaucracy-ridden giant, with total assets of more than $900m, is creaking from lack of expansion – there are 275,000 applicants for phones and they may wait for up to three years to be connected.

However, both PLDT's expansion plans are still dependent on central bank approval. Despite the priority being given to telecommuncations, PLDT is vying for the country's scarce foreign exchange with a plethora of other worthy causes.

Fresh trade yardstick urged

BY WILLIAM DULLFORCE IN GENEVA

AUSTRALIA yesterday proposed a yardstick which it suggested could help nations make a broader attack on trade protectionism in Gatt's Uruguay Round.

By measuring the effects of government subsidies, price controls and indirect supports, as well as of tariffs and import quotas, the Effective Rate of Assistance (ERA) could be used as a tool by countries bargaining for reciprocal and equitable cuts in protection, the Australians suggested.

A country shielding its industries by tariffs would reduce them while a country relying mainly on quotas and subsidies would bring about a similar reduction in its ERA by liberalising these controls and supports.

The ERA is calculated by taking the world price of a product as the unassisted price. The price obtained by the domestic producer is assumed to be an assisted price, reflecting the effects of the various assistances provided.

The difference between the value added (per unit of output) in the domestic price and the value added in the world price, expressed as a percentage of the world price, is the ERA.

Australia and Israel yesterday signed a five-year trade agreement to boost bilateral trade and promote joint ventures, Andrew Whitley reports from Jerusalem.

The agreement was signed by Mr Bill Hayden, Australian Foreign Minister, at the start of a visit to Israel. He urged Israel to increase its imports of Australian steam coal and wool.

Israel last year exported goods worth $70m (£39m) to Australia, primarily chemical fertilisers, polished diamonds and metal products. Coal constituted half its imports - valued altogether at $50m - the balance coming from purchases of wool and rice.

In a simplified example, quoted in the pamphlet presented by Australia to the Gatt groups negotiating on tariffs and non-tariffs, cloth is supposed to sell for $100 without import restrictions. Material inputs (yarns) cost $60, giving a value added at world prices of $40.

If a tariff of 20 per cent is levied on cloth, raising the imported price to $120, and a subsidy of 10 per cent is given to the manufacturer of the yarns used, the value added with assistance increases to $66.

The ERA to cloth, expressed as a percentage of the world price, would thus be 65 per cent.

Backing the Australians' proposed yardstick is the argument that, to get a grip on the problem of trade protection, some means is urgently needed of assessing the impact of all the "grey area" barriers and hidden supports, such as voluntary export restraint agreements and domestic subsidies, that have proliferated over the past decade and have negated the value of Gatt's tariff cuts.

So far, the Australians argue, because of the absence of an objective measurement for the so-called non-tariff measures, countries have negotiated agreements to limit their "legal" use rather than deal with them through multilateral liberalisation.

Economists already use the ERA to estimate the influence on government policies on the allocation of resources within national economies.

Foreign groups share in French phone operation

BY DAVID THOMAS IN LONDON AND PAUL BETTS IN PARIS

BRITISH, American, Belgian, Dutch and Italian companies are taking minority stakes in France's new cellular telephone operation, which is due to start operating next year.

The announcement marks one of the first moves in the long-expected internationalisation of Europe's fast-growing cellular networks, which have mainly been operated by companies based in each country.

The French Government recently awarded a 15-year franchise to establish a new cellular service, using existing analogue technology, to a consortium led by Compagnie Generale des Eaux.

The service is intending to cover 85 per cent of the French population.

Compagnie Generale des Eaux holds 41 per cent of the consortium, with other French companies making up a further 46 per cent.

The consortium has just announced its first foreign partners. Racal, the British electronics group which runs the Vodafone cellular network in Britain, will own 4 per cent, as will BellSouth, one of the large regional telephone companies in the US.

Racal is paying FFr10m (£1m) for the equity and a further FFr10m in loan capital.

It intends to make available its expertise in running Vodafone to the French consortium.

The other new partners are Fabricom, a Belgian group which will own 4 per cent; and Magneti Marelli, a Fiat subsidiary, and Bromley International, a Dutch company, which will own 0.5 per cent each.

Racal also intends to co-operate with the French consortium in developing the next generation pan-European digital cellular service which is due to start operating in 1991.

- STC, the British electronics, group has won a £10m contract from Telefonica, the Spanish telephone operator, to supply a 290km submarine optical fibre telecommunications system between Barcelona and Majorca.
- ISC Cardion Electronics of Long Island, New York, has been awarded a contract worth nearly $5m (£2.7m) to supply the Naval Material Command of Denmark with two additional coastal radar systems.

All-out strike halts output at Land Rover

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

ALL PRODUCTION of Land Rover and Range Rover vehicles was at a standstill yesterday.

The company's 6,000 hourly-paid employees at Solihull, in the Midlands, gave overwhelming support to the strike called from midnight by the plant's five unions over a two-year pay offer.

Land Rover acknowledged that only "a couple" of production workers had reported for work.

The company is offering a two-year pay deal which, it says, is worth 14 per cent over that period. The unions say that figure is inflated by the consolidation of existing cash bonuses and is worth nearer 8 per cent in new money.

Until yesterday, Land Rover maintained that unions had exaggerated the level of support for the strike. It may now have to reasses that strategy, although yesterday the company would only say that no more money would be made available.

Mr Sam Robinson, chairman of the unions' joint negotiating committee, said: "All the time the management have taken the attitude that people didn't vote for strike action in the ballot. This gives an indication of just how wrong they were." Mr Robinson said the workers were ready for a long strike if necessary, a claim supported by those on the picket line.

"But the ball's in the management's court," Mr Robinson said. "We are ready to go into negotiations with them at any time as soon as they have a proposal to make."

As dawn broke yesterday 200 to 300 manual workers had gathered outside the plant's main gates in Lode Lane, Solihull, to discourage colleagues from clocking on for the 7.30am production shift.

The atmosphere was good-humoured rather than militant, and when the dearth of manual workers seeking to enter the plant threatened to make the pickets' persuasive powers redundant, they turned their attention to clerical and supervisory staff. Some appeared sympathetic to the manual workers' cause and earned loud applause by turning back.

The police presence during the morning was minimal, with the police largely restricting themselves to traffic control on surrounding roads.

Charles Leadbeater looks at mounting pressures as workers put the brakes on long-term settlements

Pay deals put motor industry through testing time

WITH the Ford manual workers' strike settled, Land Rover workers out from yesterday, and workers at Renault's truck plant planning action from Thursday, where do industrial relations in the motor industry stand, and what is coming down the track for the other companies?

Companies such as Jaguar, the profitable luxury car maker, Peugeot-Talbot, the new saloon car maker, and truck manufacturers such as Leyland-Daf, face different product markets, and thus different pressures in collective bargaining.

Nevetherless, there will be common themes, particularly the pay expectations of car workers, engendered by improvements in productivity and profitability, against the backdrop of a tightening labour market.

● As Land Rover's 6,000 manual workers enter their second day on strike, managers at Renault Trucks in Dunstable seem to be preparing for an all out stoppage by about 700 manual workers from Thursday.

Like Land Rover, where the company says it has offered a two-year deal worth 14 per cent, which the workers say is worth 8 per cent in new money, the Renault dispute is simply about pay. The company has offered a 6 per cent rise, with a two-hour cut in the working week, which will be produced by a reorganisation of working time.

Land Rover made a profit of £7m in the first half of 1987, compared with £3m for the whole of 1986. Renault made its first operating profit last year.

Leyland-Daf concluded a two-year deal in September 1987 and Iveco-Ford signed a two-year agreement in February this year.

A senior executive at Iveco-Ford said: "I thought pay pressure in the truck industry would be restrained by the continuing problems of over capacity, but perhaps the Renault dispute indicates that is not so."

● Pay negotiations covering 8,700 manual workers at Vauxhall Motors, the UK volume car subsidiary of General Motors of the US, are expected to be completed on Friday. This follows a series of ballots at the main plants at Ellesmere Port and Luton, in which electricians have voted against the introduction of a revised pattern of maintenance shifts, production workers voted narrowly for strike action, and their colleagues at Ellesmere Port voted to accept the deal.

The negotiations have been tense and have taken much longer than the previous negotiations in 1985. The company dropped plans for individual performance related bonuses, and its original proposal for an three-year agreement.

Should agreement be reached on Friday it would be the company's second two-year agreement, with rises worth between 11.8 per cent and 14.6 per cent, which would take the basic pay of the average assembler from £172.66 a week to £204.17.

The company expects to announce a small net profit for 1987, the first for ten years.

● While Ford has settled its dispute with its 32,500 manual workers, it will resume negotiations today with its 12,000 white-collar staff. The company wants far reaching changes to the role of supervisors to complement the introduction of team working and group leaders on the shop-floor.

It is expected that the company will revise its offer to white collar staff, in line with the manual settlement: a two-year deal worth at least 14 per cent a year. White collar union leaders have not ruled out the possibility of industrial action.

● Negotiations at Peugeot-Talbot, which are due to begin in October, may be the most interesting test of whether there has been a shift in industrial relations: the two-year agreement the company signed in 1986 expires on December 31.

The agreement has coincided with a marked improvement in the company's performance: it expects to announce a profit for 1987 of more than £10m , its first for more than 10 years. Production in 1988, will build to 80,000 vehicles a year, with the introduction of a second shift from April.

For the workforce the threat of redundancy and closure will have passed: for many the profits may be taken as a signal that the time for reaping deferred rewards has come.

The stability of the company's industrial relations - the last major dispute was a three-month pay strike in 1980 - may be tested to the full.

The last agreement included pay increases of 6 per cent, to bring the weekly wage for the average assembler to about £155.

● The last strike at the state owned Austin-Rover Group, in 1984 lasted two-and-half weeks. In October the company will come to an end of its third successive two-year agreement, with its trading losses cut.

The next agreements, covering 26,000 manual and 7,000 white collar workers is likely to introduce a single pay structure for all employees. This could pave the way for manual workers to press for shorter working hours.

The 1986 agreement, with basic pay increases of 3 per cent a year, improved productivity bonus earnings, and a quality bonus, has taken the basic pay of the average assembler to £179.81 a week. Bonuses average £30 a week.

● Over the last year Jaguar, has lost less than an hour's production per employee through industrial action. The last two-year agreement, covering 9,000 manual workers, has taken the pay of the average assembler from £142 a week to £170.

Profits in 1986 were £120.3m, on turn over of £830m. The last major stoppage was a seven-day strike four years ago.

● Nissan is due to conclude its next pay deal by January 1 next year, after a two-year deal signed last year, which improved basic pay by 7.5 per cent in 1988 and 5.5 per cent this year. The plant was set up with the most streamlined working practices

Other than Peugeot-Talbot, Nissan is the only company to introduce monthly salaries for its production workers.

GM/ISUZU JOINT VENTURE ADDS 500 JOBS FOR NEW SHIFT

ABOUT 500 new jobs are to be created at IBC Vehicles, the joint venture company formed by General Motors and Isuzu of Japan last year to save GM's Bedford panel vans plant at Luton from closure, John Griffiths writes.

The extra jobs, which will lift the total work force to 1,700, are for the introduction of a second shift aimed at increasing production to 34,000 units this year from 19,000 in 1987.

Of this total, some 14,000 units are intended for an export drive into 14 European countries announced by IBC yesterday. Previously, exports of the vans currently produced at Luton have been "nominal," according to Mr Nick Reilly, a former Vauxhall director who is now IBC's vice-president.

IBC's disclosure of its expansion plans represented a major turn-round in the fortunes of the plant, which until last October had been operated by Bedford Commercial Vehicles, a now-defunct wholly-owned GM subisdiary.

The Luton operations had been losing £½m a week, despite investments totalling £70m over the previous three years.

Mr Reilly said yesterday that while IBC would not achieve an operating profit in its first year, "substantial progress" had already been made in reducing losses and IBC hoped to approach breakeven by the end of this year.

IBC is 60 per cent owned by GM and 40 per cent by Isuzu, the Japanese car and commercial vehicle producer in which GM has a stake of just over 40 per cent.

NatWest Securities executives resign

BY CLIVE WOLMAN

MR CHARLES VILLIERS and Mr Jonathan Cohen yesterday resigned as chairman and chief executive of County NatWest Securities, the securities subsidiary of National Westminster bank and one of the three largest securities firms in the UK.

The resignations were submitted in response to mounting criticism and publicity in the media about the losses suffered by the bank's traded options department during the October stock market crash, partly as a result of the massive exposure of a few private investors who were allowed to trade through the bank and were not able to meet their debts.

However, Mr Charles Green, NatWest deputy chief executive, denied last night that the resignations were in response to further suggestions published on Friday that the bank may have been in technical breach of a section of the Companies Act as a result of the arrangements it made for the undisclosed holding of a 9.5 per cent share stake in Blue Arrow, a corporate client.

"We already knew internally of the losses on our traded options but the publicity last week and build-up of press criticism did not help morale in what is a people organisation," Mr Green said. He added that the bank knew of no Trade and Industry Department inquiry into the Blue Arrow stake and it expected no such inquiry to be launched.

Mr Terry Green, a board director of both NatWest and its investment banking arm, has been appointed as a stopgap as head of the investment bank and securities arm. He retains responsibility for group business development.

Mr Villiers, aged 47, also resigned as chief executive of NatWest Investment Bank and as a director on the main NatWest board. He joined the investment bank in 1972, only a few years after it was set up, and was appointed chief executive in 1985.

He had been an accountant with Arthur Andersen and worked in a venture capital firm. Mr Jonathan Cohen joined the bank in 1974 from S.G. Warburg and became chief executive of the securities arm in 1986 in the run-up to the Big Bang reforms of the Stock Exchange.

Their resignations were submitted after five days of informal discussions with other colleagues in the securities firm and in the main bank. Since the October crash, morale within the securities firm has suffered as a result of a series of revelations:

● A 26-year-old accountant, Mr Anil Gupta, was allowed to run up debts of more than £1m by trading in options through the bank.

● A 56-year-old Scottish farmer, Mr Alexander MacLennan, ran up debts of £3m, also by trading in options on the stock market index with the assistance of his son, a salesman with County NatWest.

● The bank disclosed that it suffered losses of £69m in the October crash, more than any other UK firm, primarily as a result of the stake taken in Blue Arrow, shortly before the crash.

The Blue Arrow stake was acquired because of the poor response from investors to a large share issue made by the company to finance a US acquisition.

● Several key executives have been dismissed or have resigned as a result of the traded options losses and as part of the reorganisation following the acquisition of the securities firm Wood Mackenzie in January.

County NatWest also announced yesterday that it was winding up its North American equities dealing operation in London, marking the departure of the last British firm from this market. It said that the operation was "labour intensive and uneconomic."

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State 'should pay award'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

A COMMITTEE of backbench members of parliament yesterday urged the UK Government to commit itself to paying for this year's salary award for nurses. But it is split along party lines over a more general increase in resources for the state-run National Health Service (NHS).

The Treasury and Civil Service Committee, in a report on Government public spending plans, said additional cash could be made available for the NHS if the Treasury chose to allocate it.

The committee said the public spending target for the 1988/89 financial year beginning in April could be raised by between £1bn ($1.74bn) and £2bn while still ensuring that expenditure fell as a proportion of national income.

The report added that the Government should agree to pay for whatever salary increase it agreed to implement following the report of the nurses' pay review board in April. This would remove the "damaging uncertainty" facing health authorities.

Mr Terence Higgins, the committee chairman, said the cash to fund the award could be found from the Treasury's £3.5bn contingency reserve.

The committee also called on the Treasury to take account of higher-than-average inflation in sectors such as the health service in presenting its spending plans. Prices in the NHS traditionally rise faster than average, so the real value of inflation-adjusted increases in the Government's plans overstate the actual increases.

The report, however, fell short of demanding that the overall public spending target be raised after the committee, which has a Conservative majority, split along party lines. One Conservative, Mr Anthony Beaumont-Dark, agreed with opposition Labour MPs that more money should be made available to the NHS, but the remainder were opposed.

Mr Neil Hamilton described the NHS as a "leaking steam engine." Resources would be better allocated to tax cuts, particularly the top rates of income tax.

The committee is critical of the way the Government sets priorities for different programmes. "We are not convinced that the procedures currently followed enable the Cabinet to act in a cohesive way in setting expenditure priorities. A series of bilateral negotiations with individual ministers do not add up to collective decision making."

It also urges the Government to restructure the calendar for its major economic announcements to allow greater consultation with parliament before spending decisions are taken.

In particular, the Chancellor of the Exchequer's Autumn Economic Statement should include more information on spending, while each department should publish an annual report in the spring giving detailed financial information for the previous year.

Unionists reject talks with Dublin

By Our Belfast Correspondent

ULSTER UNIONIST leaders Mr James Molyneaux and the Rev Ian Paisley yesterday ruled out talks with Mr Charles Haughey, Irish Republic Prime Minister, until formal suspension of the Anglo-Irish agreement which gives Dublin a say in the affairs of the north.

In a joint statement, the two leaders said that, if negotiations took place on new structures for Northern Ireland, those engaged in them would seek "a normalisation of relationships" between Northern Ireland and the Irish Republic.

Responding to Mr Haughey's invitation to talks without pre-conditions, Mr Paisley and Mr Molyneaux said any new agreement would have to be negotiated between the British Government and the constitutional representatives of the people of Northern Ireland.

The joint statement said: "Unionists cannot accept that the spokesmen and representatives of Northern Ireland nationalists should be Mr Haughey and the Dublin Government. The real representatives of the nationalists are those elected from their ranks in Northern Ireland."

The Unionist leaders said the agreement had to be set aside by both the British and Irish Governments.

Renewed calls for British voice in EC standards

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITISH INDUSTRY could lose out in the unified internal market planned by the EC for 1992 if it does not pay more attention to work under way to produce harmonised product standards, a senior Department of Trade and Industry official warned yesterday.

Ms Marianne Neville-Rolfe, under-secretary in charge of internal European policy, said: "It is no use having the best standards nationally if we do not play an active part in the European standards process and so fail to get our practice adopted."

Noting that the prominence of West German standards for electrical equipment had conferred significant advantages on German manufacturers, Ms Rolfe told a seminar organised by the Federation of British Electrotechnical and Allied Manufacturers Associations that the Government was concerned that Britain was under-represented in European technical committees.

"We need to do far more to make our voice effective," she said. "Industry and commerce must make good people available to undertake the technical work necessary in the European standards bodies."

Lord Cockfield: warning on internal market

Lord Cockfield, EC Commissioner in charge of the internal market, drew attention to the problems facing the two European standards-making bodies, CEN and CENELEC, in writing new industrial product standards for the internal market.

Their resources were limited and they simply could not write all the standards which would be required. "For some time to come we will have to continue to rely on national standards where European standards are not available," he said.

Lord Cockfield said the EC was making additional finance available to these bodies but "the technical expertise available at the national level has to be put at the disposal of this urgent work at European level."

Once again, Lord Cockfield warned that Britain was slow to wake up to the opportunities offered by the internal market, though his language was more muted than late last year when he criticised the Government for lack of political will.

"We can catch up. It will take a major effort, but that effort must be made," he said.

Under the present timetable the EC Commission will have tabled 90 per cent of all the proposals required for the internal market by the end of this year. "The EC as it will be after 1992 will then be clearly visible and defined in detail," he said.

Companies oppose DTI plan to set goodwill against profits

BY RICHARD WATERS

SEVERAL large companies are supporting a campaign to block a proposed change in the law which could reduce companies' reported profits. The proposal would force some companies to set goodwill against profits over a number of years because their free reserves would be too small to absorb the goodwill.

Supporters of the campaign, launched by Grand Metropolitan, include Guinness, Allied Lyons, Whitbread, Reed International and Reckitt & Colman. They are opposing a Department of Trade and Industry proposal that would prevent companies from writing off goodwill arising out from takeovers against certain types of reserves.

The amounts involved are potentially huge: goodwill topped £1bn in deals like Guinness's acquisition of Distillers and Hanson's takeover of Imperial.

Grand Met's campaign follows its acquisition last year of Hublein, the Smirnoff vodka manufacturer. It wrote off £650m of goodwill arising from the deal against its revaluation reserve – something it would not be able to do under the DTI's proposals.

The change in the law would prevent companies from writing off goodwill against either their revaluation reserve when assets are revalued or their share premium account.

A number of finance directors backing Grand Met have called on the Government to put off any change in the law until the Accounting Standards Committee has completed its own recently-announced review of the subject. The claim there are a number of interrelated issues that should be considered together when looking at accounting for takeovers, rather then looking at goodwill in isolation.

However, the Government will almost certainly stick to its deadline of a new Companies Act in the next session of Parliament. It must put the European Community's seventh directive, which deals with groups' accounts, into UK law by 1990.

Finance directors who have joined the campaign claim that writing off goodwill against profits distorts a company's earnings growth. Goodwill actually increases in value over the years, rather than declines, and so should not be treated as a charge against profits, they say.

Hard pressed US growers take on market interlopers

Bean farmers ride low in saddle

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

US BAKED bean growers are feeling the draught. Swamped by floods and frizzled by drought, they have seen their domination of the 1m-cans-a-day British market eroded by intruders.

Increasing amounts of navy beans, the special variety favoured for smothering UK toast, have been shipped from Canada, Chile, Romania and Australia in the past two years.

The main ultimate consumers – children, prisoners and hospital patients – have little say, and probably even less interest in the nationality of their beans, but the issue is crucial for US shippers.

Britain is the world's biggest market for navy beans.

Crying foul and profferring $300,000 in ready cash, missionaries from Michigan have now asked UK canners to shun the interlopers and contribute to a joint promotion to tell consumers that US beans are best.

If the big seven processors take the bait, Mr John McGill of the Michigan Bean Shippers Association promises a further $2m in 1989 to continue the promotion.

The trouble started on September 9 1986, when it began to drizzle in Saginaw Valley, Michigan. Twenty five days and 28in of rain later, local navy bean growers had lost two-thirds of their crop, and their main customers went shopping around.

Last summer the farmers watched 480,000 acres wilt in a drought. Even though the crop recovered and the eventual harvest was a record, the British had learned caution and placed orders elsewhere.

Before the weather struck, the US regularly shipped half its crop to Britain.

"Now there is a third point to the pitchfork in our side," says Mr McGill. The Ontario Government, he protests, pays its farmers subsidies worth up to $8 on every hundredweight of beans.

The upshot is that Canada, which formerly accounted for only 30 to 40 per cent of the UK trade has almost doubled production.

According to official figures, Ontario farmers captured 70 per cent of the British market last year.

Washington's response is a 50 per cent Government contribution to the US bean shippers' $300,000 promotional fund, which, Mr McGill hopes, will be raised to £300,000 by contributions from the British canners.

It is understood the shippers have taken the initiative in the hope that they can keep their transatlantic cargo vessels filled. They could lose valuable business if US farmers, mainly in Michigan, North Dakota and Minnesota, lose faith in the navy bean and switch to other crops which are less dependent on a single market.

The British-style baked bean is strictly a national speciality for which the navy bean is deemed essential by purists. Similar products on the continent are made with haricots and other varieties which can be grown in Europe.

Even in the US, the market is relatively small owing to consumers' attachment to the original cowboy dish of pork 'n' beans, which has appeared in hundreds of westerns and starred to some effect in Mel Brooks's Blazing Saddles.

Edinburgh heads list of 'most desirable' cities

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE MOST desirable British city in which to live is Edinburgh, according to an academic study. Next comes Aberdeen, after that Plymouth, then Cardiff, and completing the top five, Motherwell, the industrial conurbation to the south-east of Glasgow.

Edinburgh came top because it was reckoned to have the best health provision, racial harmony, leisure and sports facilities of any major conurbation in Britain. It also scored highly on access to "areas of scenic quality," schools, travel-to-work time and cost of private rented accommodation.

The study, produced by geographers from the University of Glasgow – a city which came only 25th out of 38 – is claimed to be the most sophisticated of its kind. First, the researchers discovered, using a national opinion poll, which factors people in Britain regarded as most important in deciding where they would like to live.

They found that people across all classes wanted above all to live in a place with low levels of violent and non-violent crime, good health facilities, low levels of pollution, a low cost of living, good shopping facilities and good race relations.

They put these attributes well above factors such as the climate (rated 48th out of 52 attributes), the cost and availability of housing, education facilities, employment prospects, wage levels, levels of unemployment and travel-to-work time.

Next, the researchers carried out studies of how British cities rated in terms of these attributes, and weighted each factor according to the importance the average Briton gave to it.

The results show Scotland in general is a good place to live, with Motherwell, nestling under the Ravenscraig steelworks, scoring surprisingly well for its low pollution count. By contrast the West Midlands does badly with four cities - Wolverhampton, Coventry, Walsall and Birmingham - bringing up the rear of the table.

Glasgow was rated more desirable than Manchester (30th) and London (34th). Among conurbations in the supposedly desirable south-east of England, only Reading is in the top 10. On the other hand, some unfashionable cities such as Bradford and Stoke on Trent (ranked sixth and eighth) score highly, with Bradford the best city in Britain for access to fine scenery.

Flow restrictions to be imposed after air miss

BY LYNTON MCLAIN

RESTRICTIONS on the flow of aircraft over Britain are to be imposed to maintain safety, air traffic controllers said today.

Mr Chris Stock, the president of the Guild of Air Traffic Controllers, said the flow control restrictions were the "only tool left" to keep aircraft moving safely in crowded skies until the present system was improved and updated.

Flow management will prevent aircraft from taking off or keep them in the air until it is safe to land.

The controls will mean inevitable delays for passengers, Mr Stock said yesterday, a day after two airliners carrying 222 passengers and crew were involved in an air miss over the coast at Clacton, Essex.

The air miss occured between a British Caledonian Airways BAC 1-11 airliner, carrying 65 passengers and five crew and a Pan American World Airways Boeing 727 with a full load of 145 passengers and seven crew.

The BCal airliner on a routine flight, BR812, took off from Gatwick airport, London, at 0840 on Sunday morning, bound for Amsterdam. Flight visibility was unusually good, at 50 kilometres (35 miles) BCal said yesterday.

Ten miles off the coast near Clacton, the last radar beacon for the aircraft before it crossed the coast, the BCal flight crew observed a tri-jet about a mile away on a converging course at approximately the same altitude.

The BCal crew kept the aircraft in sight and maintained their course. The approaching aircraft turned to the right as it approached the BCal airliner and the BCal crew identified the aircraft as a Pan Am Boeing 727.

Pan Am said yesterday its flight PA99 from Oslo to Heathrow airport, London, on Sunday was between 50 miles to 80 miles east of the Clacton radar beacon and "cleared to 16,000 feet altitude inbound."

The airline added: "As the aircraft passed through 24,500 feet altitude, air traffic control at West Drayton told the pilot to stop his descent at 26,000 feet and to turn left on heading 200. As he made the turn he saw the BCal aircraft about two miles away at 2 o'clock and higher. The BCal aircraft passed higher and well to the right, with a horitontal separation distance of about 1 mile."

The pilots of the aircraft have each filed reports on the air miss to their companies and to the Civil Aviation Authority.

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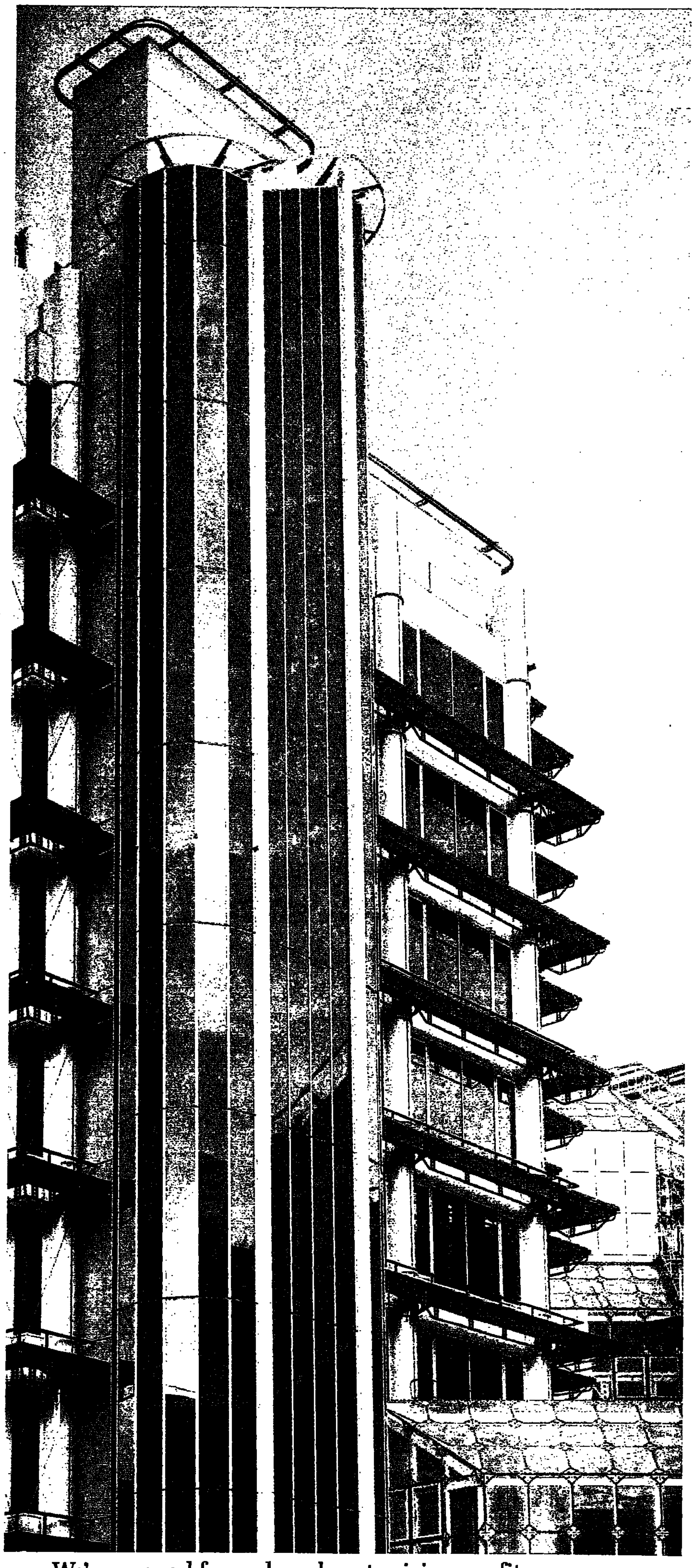

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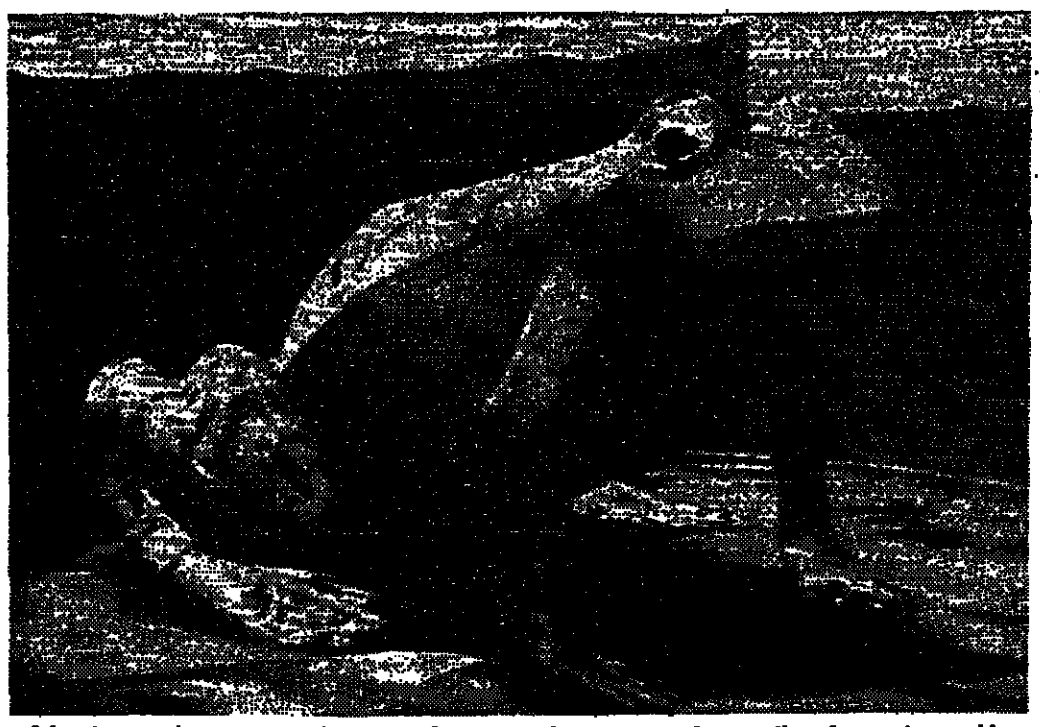
In shape for things to come

Designing to extend the art of the possible

Paul Abrahams looks at the prospects for three-dimensional computer graphics in TV, advertising and scientific work



A frog to court the customers: this image of a creature that never was is a creation of computer graphics

"GIVE ME the money and I can put my hand on my heart and make the physically impossible, possible," says David Jeffers, managing director of the Moving Picture Company, based in London's Soho.

His confidence in creating the impossible, or at least images of it, is based on major advances in computers which generate three-dimensional graphics.

Artists have only recently begun to get to grips with this form of simulated reality, but the technology is gaining ground rapidly and is set to have big implications for industries such as television, film, advertising, and marketing.

It is a trend that will accelerate as improvements in both computer hardware and software speed up the processes involved and bring down the previously high costs of this graphics art form.

At the recent Imagina international conference in Monte Carlo hosted by the French Institut National de l'Audiovisuel (INA) it was pointed out that the technology could also prove of value in scientific applications such as molecular modelling and fluid dynamics.

David Inglish, manager of animation technology at Walt Disney Productions said: "The use of the written word as a means of mass communication dates back to the printing press. Word processors were only a continuation of that trend, but the impact of images is far greater than words. Although computer graphics is only in its infancy, it will create a revolution in the way we think."

Behind this line of thinking lies a series of powerful computer and software systems such as ADO, Abekas A64, Mirage, Bosch, and Alias which have become available for artists to create illusionary images on video.

Among the most important of these machines is an electronic paint system called Paintbox, created by a British company, Quantel. The system paints straight on to video tape, and when combined with Quantel's "Harry" software it is possible to create digitised on-screen images.

The technology could be of value in molecular modelling and fluid dynamics

The most visible examples of the use such equipment have been on television. In Britain three-dimensional computer graphics have been used to generate advertisements such as an award-winning commercial for Access credit cards, a campaign designed and produced by the London-based design consultants Robinson Lambie-Nairn. Another example is the current Daily Telegraph advertisement created by the Moving Picture Company.

Other applications of the technology include the presentation of weather forecasts on television, title and credit sequences for TV programmes and animated corporate identity logos such as that used by Channel Four television in Britain.

But the use of computer graphics has been held up by the failure of artists to get to grips with the technology. This was a theme that ran through the Imagina conference in Monte Carlo. However, Janine Langlois-Glandier, president of INA, argued that the impact of computer-generated graphics was likely to increase as artists increasingly became masters over their own machines. She said that the artists were seizing power from the technologists.

"The best results occur when the artist has direct access to the technology without the interface of a technologist," said Andrew Berend, founder and director of the London-based Computer Film Company.

"Until now, narration and exposition have been submerged in a sea of wizard techniques of which almost nothing has been of interest to the commercial world. We are beginning to see film-makers using the techniques intelligently and not using computer graphics for the sake of computer graphics."

Though artists appear to be mastering the techniques needed, the exploitation of the technology has so far also been held up by the costs involved. The computers are expensive both to purchase and run.

Peter Truckel, commercials director at the Moving Picture Company, explains: "Depending on the resolution it can take about 40 minutes to create a single frame. There are 25 frames for one second of actual video time. In practice, it can take 24 hours of computer processing time to create a picture that lasts for a single second."

"Narration and exposition have been submerged in a sea of wizard techniques"

"The problem is the number of permutations. There are hundreds of thousands of pixels (picture elements) and the computer has to recalculate all points, in terms of light, shadow and colour of light as well as any animation and camera moves. It's no wonder it takes so long," said Truckel.

However, he believes hardware improvements over the next year could allow the processing time to be halved and this would allow production costs to drop.

Software developments could also accelerate the creative process and save money. The Computer Film Company has pioneered a system through which, Andrew Berend claims, it is possible for the computer to render images automatically with an air-brush effect or to create textures looking like marble, reflections and metallics. The company's software can then overlay them digitally on to other images, repeating the process to create animation.

Not everyone in the industry is so bullish about a fall in the cost of generating the graphic images, however. David Jeffers of the Moving Picture Company says: "The process will be faster and quicker, but there will be an increase in sophistication which will trade off any cost benefits. We may be able to produce the images quicker, but we will want to create more sophisticated pictures."

There are also those who believe growth prospects for the 3-D graphics market have been overestimated. One such warning comes from Ian St John, managing director of Robinson Lambie-Nairn: "The leading edge of the industry will always want to extend the capacity of the equipment. Although the processes may become cheaper I'm not sure that there is sufficient artistic talent and imagination in the UK to use the technology effectively. There are very few people like Leonardo da Vinci – who are both engineer and artist."

WORTH WATCHING

Edited by Geoffrey Charlish

Ford takes Ingersoll line on flexibility

INGERSOLL BOHL, the West German subsidiary of the US-owned Ingersoll group, is to provide a flexible manufacturing system (FMS) to Ford's Cologne plant. The DM15m (£5m) system will machine the tooling for aluminium die-casting of engine and transmission components.

FMS allows rapid changes of manufactured product without stopping the line. Ford expects a 90 per cent time saving on die machining and a 36 per cent tool component cost reduction.

Eventually the FMS will make 70 per cent of the company's die-casting tools. Some 500 different designs are involved within a maximum size of 650mm x 650mm x 480mm. The overall requirement is 120,000 tools a year.

The FMS will contain three machining centres, three spark discharge machining units, a washing system and tool storage and setting facilities. At the moment there are 26 separate machine tools.

Workpiece and tool movement between the machines will be by means of a pair of automatically guided vehicles. The software controlling the FMS will run on a Digital Equipment Corporation computer, working into Siemens and Ingersoll machine controllers.

French direct text into IBM memory

TEXT-READING software, written by French company ISTC and for use on the IBM personal computer (PC), is available in the UK through John Libbey Computer Systems of London. The software, called Autoread Windows, is aimed at desk-top publishing applications and enables existing documents to be entered into the PC without rekeying the information.

The basic software costs £650 and will deal with the fixed pitch characters found in typewriter text for example. The software will learn any fount after the user has spent a few minutes "teaching" the system from the PC keyboard.

Frequently used founts can be stored for future use. A version of the software at £2,450 allows proportionally spaced printed text to be tackled and enables the user to choose areas of the scanned text on the screen before capturing them for use in desk-top publishing software like Pagemaker or Ventura.

Page scanners from Hewlett Packard, Microtek, Canon, Ricoh and Agfa can be connected.

PC stations make the mainline connection

NECTAR Electronics, a small British company of Houghton-le-Spring, Tyne and Wear, has developed a system which allows IBM XT, AT and PS-2 personal computers to be interconnected within a building. The product, called Powerlan, uses mains electricity wiring and costs £400 per machine.

Ray Broadbridge, managing director of Nectar, says that although conventional local area network costs may at first sight amount to perhaps £200 per computer for the plug-in board plus cable at £1 per metre, the real cost lies in laying the cable and is a great deal higher. The advantage of using the electric wiring is that any mains socket is also a data socket.

Broadbridge says that the problems of isolating the computers and their signals from the voltage on the mains cable have been overcome.

He says the product can handle data at up to 56,000 bits per second for 1m days, with no errors. The product complies with existing and proposed legislation and can be used in a wide range of buildings.

NEC goes for speed of Josephson junction

NIPPON ELECTRIC Corporation (NEC) in Japan has developed a random access memory chip based on a type of storage element known as the Josephson junction.

The chip has an access time which is claimed to be five times faster than other experimental devices developed so far. But it can store only 1000 bits of digital data, a small fraction of the memory already available on other chips.

Josephson junctions have interested researchers in the world's major electronic laboratories for 20 years because they are hundreds of times faster than today's memory chips.

However, the technology is difficult and costly, and in 1983 IBM in the US sharply reduced its research effort, believing that other technologies offered more promise. NEC has yet to reveal when its devices will be commercially available in volume.

Computers built with such devices would be much faster and more powerful than today's machines. The access time of the NEC chip is 570 trillionths (million millionths) of a second. Present memory chips have access times measured in billionths (thousand millionths) of a second.

The six millimetre square chip consumes 13 milliwatts (thousandths of a watt) of power.

Japanese posters the talk of the town

SOON IT may be rather difficult to walk past a poster in a public place and ignore it, because Tokyo-based company Hakuto has devised posters that talk. The idea is "to attract attention, emphasise selling points and generally improve the chances of product identification."

The Talkaposter board, on which a poster is mounted, can measure up to 32 x 64 inches. Behind it, operating through a small hole, is a sensor which detects anyone in the vicinity.

A memory chip contains a digitised recording of the message which can be up to 16 seconds long. The poster unit has an integral microphone for recording the message and a loudspeaker, of which the volume can be adjusted to suit the locality.

CONTACTS: Ingersoll: UK office, 0293 58441. John Libbey Computer Systems: London, 582 5266. Nectar Electronics: UK, 091526 1666. NEC: London office: 993 8111. Hakuto: UK office, 0992 769090.

Company Notices

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 01/00429/06

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

DIVIDEND No. 124

Pursuant to the notice published on 22nd January, 1988 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 4th March, 1988 is 1 rand of 100 cents equals 27.345753p United Kingdom currency. The Gross dividend payable by the United Kingdom Paying Agents is therefore, equivalent to 164.0745p per share.

Holders of share warrants to bearer are informed that payment of Dividend No. 124 will be made on or after 7th March, 1988 upon surrender of Coupon 125 at the London Bearer Office of Hill Samuel & Co. Ltd., 45, Beech Street, London EC2P 2LX.

	Amount payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	164.0745
Less: South African Non-Resident Shareholders' Tax of 12.92%	21.1984
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	142.8761
Less: United Kingdom Income Tax at 14.08% on the gross dividend (See Notes 1 & 2 below)	23.1017
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	119.7744

COUPONS must be listed on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before the payment is required.

99, Bishopsgate,
LONDON EC2M 3XE.
22nd February, 1988

BARNATO BROTHERS LIMITED
London Secretaries
A. F. Smith (Mrs)
Secretary

NOTES:

(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 164.0745p per share.

(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 14.08% instead of at the standard rate of 27% represents an allowance of credit at the rate of 12.92% in respect of South African Non-Resident Shareholders' Tax.

THE COUNCIL OF EUROPE RESETTLEMENT FUND FOR NATIONAL REFUGEES AND OVER-POPULATION IN EUROPE ECU 25,000,000 14¼ % BONDS 1982-1990

Notice of Early Redemption

Holders of the above mentioned Bonds are herewith informed that the Council of Europe will proceed to the early redemption of all the Bonds outstanding at 102% of their principal amount on March 30, 1988.

Interest accruing on the Bonds will cease as of that same date.

Banque Internationale A Luxembourg
Societe Anonyme
Fiscal Agent

Luxembourg, February 23, 1988

PROVINCE OF NEW FOUNDLAND

9% 1977/1989

US$ 50,000,000

Pursuant to the terms and conditions of the Bonds, notice is hereby given to Bondholders that, during the twelve-month period ending February 14, 1988, no Bonds have been purchased for the Purchase Fund.

Outstanding amount: US$ 42,547,000

Luxembourg
February 23, 1988

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

Office Equipment

Art Galleries

COMPAGNIE FRANÇAISE DE L'AFRIQUE OCCIDENTALE

(Société Anonyme - Registered in France)

NOTICE TO SHAREHOLDERS

The Company is pleased to announce that it has acquired a controlling interest (58%) in COMPAGNIE DE DISTRIBUTION DE MATERIEL ELECTRIQUE (CDME).

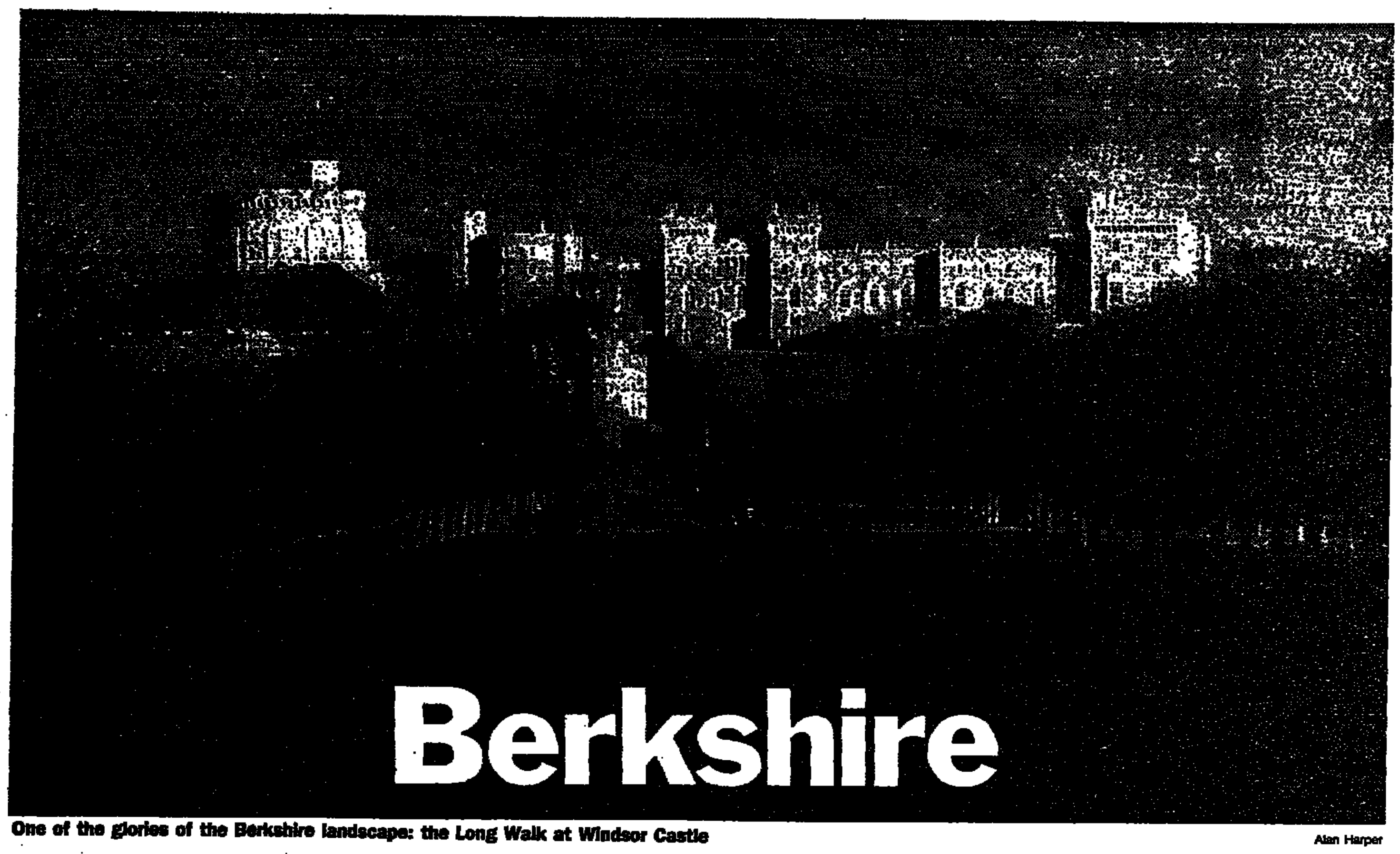
The CDME Group comprises over 80 subsidiaries which distribute through 400 sales outlets electrical and industrial equipment in France, West Germany, Great Britain, Canada, Cyprus, Hong Kong, Portugal, Singapore, Switzerland and the United States of America. The Group employs some 5,000 members of staff and has a turnover of FF 7 billion (approximately £700 million), which produces an annual profit in the region of FF 100 million (£10 million).

It is hoped that this investment, whilst being important in its own right, will permit a further development of the CFAO Group's existing core businesses.

Further particulars may be obtained from the Registered Office: 32 cours Pierre-Puget, 13006 Marseille, France.

FINANCIAL TIMES SURVEY

The royal shire's once mainly agricultural economy is being transformed, thanks to Heathrow airport and the M4 motorway, into a key centre of high tech industry. But, as this survey written by **Roy Hodson** reveals, matching growth and prosperity to the excellent quality of life is proving...



One of the glories of the Berkshire landscape: the Long Walk at Windsor Castle

Alan Harper

CONTENTS

A precarious balance

BERKSHIRE, TO SOME, is a string of valuable bloodstock being ridden through Lambourn on a misty morning to the gallops on the downs. To others, it is a boating scene on the Thames at high summer in crowded Boulter's Lock, or a distant view of Windsor Castle with the Royal Standard flying over the Queen's home, a reminder of the county's privilege to be known as the Royal County of Berkshire (a privilege given formal status in 1974 when the county was awarded the Royal Arms by the Queen).

A closer representation of life in the county today however, would be the daily round of an international computer business inside one of many glass-clad buildings on an industrial estate.

Berkshire has more than moved with the times. It has rushed headlong to embrace the future. The old agricultural county has acquired one of the most important and prosperous concentrations of high technology industry in modern Britain.

It is particularly favoured by foreign companies in microelectronics and computerware which are setting up manufacturing and distribution for the British and continental markets.

These days more people commute into Reading to work than commute from Reading to London. A random glance at the businesses in the county catches such names as Digital, ICL, Ferranti, Racal,Foster Wheeler, Prudential Assurance, Guardian Royal Exchange, the Royal Ordnance Factory at Burghfield, and the nuclear establishment at Aldermaston.

When Thomas Hughes wrote Tom Brown's Schooldays in the mid-Nineteenth century and he wanted his young hero to come from the deepest English countryside, he chose Berkshire – more specifically, "that portion of the Royal county of Berks which is called the Vale of White Horse".

Tom Brown would be more than surprised if Hughes could send him back there now. Oxfordshire has long since swallowed his beautiful north west Berkshire farmlands and downlands under boundary redistribution. In return the reshaped county has had graceless but prosperous Slough tacked on to its eastern end.

Modern Berkshire is a small county in area (although it has a big population, by county standards, of 730,000). It is shaped like a sausage lying on its back - some 40 miles long and in places only 12 miles wide. It is so near Heathrow airport that the flight path crosses the county boundary. The fact that Berkshire is next door to Heathrow while being untouched by London's urban sprawl is reckoned to be the single most important factor in the county's success in attracting new foreign investment.

A second factor now contributing much to the rude health of the Berkshire economy is that the M4 motorway runs from Heathrow westwards directly though the middle of the county from end to end. You can cross Berkshire in 40 minutes without exceeding the 70 miles per hour legal limit.

The M4 has turned Berkshire from a traditional English shire county of lanes, villages, and a few free-standing towns into a closely-linked area where everywhere is *theoretically* just a short car journey of a few miles from everywhere else.

The qualification is necessary. One of the highest levels of car ownership in Britain, and a parallel decline in the quality of public transport by rail and road, has thrust a monumental traffic problem upon Berkshire - a problem which is hardly appreciated when one is cruising merrily along the M4.

Mrs Rosemary Sanders-Rose, leader of the Newbury district council which administers the western quarter of the county, says that traffic is her council's biggest headache. "We have been caught by our own success. Either side of the motorway we are trying to adapt a roads system built for farmers to our high tech life-style".

The centre of Reading, Berkshire's booming county town, which has become a regional capital if measured by the variety of services it offers, is currently being stirred up for all the world like a brick and rubble pudding to try to accommodate the motor car. The county council is spending more than £25m on a new urban roads system - the biggest roads programme it has ever undertaken. While Reading endures daylong traffic jams the planners promise that the town will be transformed in two years time by the new roads, the new car parks, and a central pedestrian priority system.

Fine for Reading, although the locals are sceptical. But by then the traffic problems of several other Berkshire urban areas including Newbury, Bracknell,Maidenhead, Windsor, and Slough will have become more acute. And there is no possibility of finding enough money to tackle them all in the radical fashion employed upon Reading.

Berkshire's basic problem is how to perform a precarious balancing act to match its growth and prosperity on the one hand against preservation of the county's still excellent quality of life on the other.

Mr Tony Allen, the county's chief executive, has just been faced with the prospect of having to learn more new tricks to stay on the high wire. Mr Nicholas Ridley, the Environment Secretary, has savaged the Conservative county council's proposed structure plan. The county, alarmed at the pressures from the fast growth of population and business activity wanted to cut the house building rate from an average of nearly 5,000 houses a year over the last ten years to about 1,600 a year in the 1990s. Mr Ridley has proposed a higher limit of 3,000 houses a year arguing that the extra houses will be needed to accommodate people who grow up in Berkshire and wish to remain there.

"The council is going to have to live with Ridley's message – that is, more growth than it believes is good for the county", says Mr Allen. The county will have to find room for 7,000 more houses than it wishes to have by the mid-1990s.

The inevitable consequence of the Ridley strategy is that Reading will burst south of the M4 - at present seen as its natural boundary - and then it will be only a matter of time before a linear urban area is created to the west of London, starting in the north west at Reading and running south east to embrace Wokingham and Bracknell.

There is nowhere else for the houses to go. Berkshire is tightly corsetted by planning restrictions. A designated area of outstanding natural beauty embraces the western half of the county, and the London Green Belt runs across the eastern end of the county between Reading and Slough.

The people who work in Berkshire's new industries and services naturally want to live in their chosen county, even at the price of paying £1,000 a foot for river frontages on the Thames, or putting up with the high costs of charming Newbury (said to be the wealthiest country town in Britain) where it costs £5,000 to provide a single car parking space.

With housing land nudging up towards the mesmeric figure of £1m an acre, and property men, smiling all the way to the bank, Berkshire county council thought that one answer to the vicious spiral of trying to match new housing with services could be to seek contributions from the developers towards local roads and amenities.

The companies building in the area have been generally sympathetic to the idea. But Mr Ridley has specifically ruled out what the council calls euphemistically "planning gains" - and the minister calls brutally "selling planning permissions". The council still hopes to persuade him to change his mind.

While the argument rages at national level about the future rate of Berkshire's housing growth, business in the county is already hungry for labour. There are 15,000 registered unemployed, just below 5 per cent of the work force. In practice there is a skills shortage throughout the county. With housing expensive and in short supply Berkshire is already a victim of its own economic success.

Young married couples, each with a well-paid job, sometimes solve their housing problems by moving to cheaper areas further west down the M4. It is becoming common for people to commute into Berkshire along the motorway from Wiltshire and Somerset. A few expanding companies have also found life uncomfortable in Berkshire's pressure cooker environment and have moved west to Swindon and other places to find labour and industrial land to expand.

The Berkshire Enterprise Agency says frankly that its role is to protect scarce resources - labour, skills, land, investment money - rather than encourage uninhibited growth. It has been switching the emphasis of its work away from helping new business start towards encouraging the development of existing small and medium businesses of the sort that are needed if the county is to have a secure and broadly-based economic future.

Tourism now ranks alongside agriculture as a prime Berkshire earner after high-tech industry. Windsor attracts the crowds with 3.5m visitors a year. Over the remainder of the county a more selective approach to tourism is being tried based upon high-spenders rather than big numbers.

The abundance of good hotels and restaurants in the Thames Valley and beyond persuaded Berkshire to base its tourism strategy upon winning conference trade. A lot of talking is being done along the Thames these days with 36 centres in business for conferences and training courses. Spotting a successful promotion, some hotels in surrounding counties have paid to join the scheme and be included in the conference brochure.

Affluent life styles in Berkshire have nudged the hotels and restaurants towards higher standards. However, the gastronomic elevation of the county has not been all plain sailing. The great British chef, Mr Nico Ladenis, tried his luck in Berkshire for a year with a restaurant south of Reading. Finally he headed back to the less green pastures of Westminster last year protesting that he would not cook for people who demanded gins and tonics before eating his food.

Berkshire Enterprise Agency's new equity fund is geared to back...

The future profit generators

THE COUNTY of Berkshire has taken a small but important step towards having a financial stake in its own business future.

Urged on by Mr Roy Hale, the lively director of the Berkshire Enterprise Agency, the county's investment panel has set aside £500,000 of the county council superannuation fund. The money is being made available as development capital for manufacturing and service companies in return for minority shareholdings.

Typically, a young company which the agency believes could benefit from a new source of equity capital, will be able get between £50,000 and £70,000.

The scheme is brand new. Mr Hale and his staff are currently running the rule over 11 companies ranging from high-tech manufacturing to marketing and service companies.

The criteria for access to the money is that the enterprise should be either in Berkshire or its "business area" - a useful concession for some firms employing mostly Berkshire people but located over the border in neighbouring counties; that it should provide some local economic benefit to the county; and that the county should take, typically, between 20 per cent and 35 per cent of the business's equity for a 5-7 year term.

"We want companies looking for new capital to come to us", says Mr Hale. "Before the end of this year I want us to have a portfolio of investments so that the county will hold stock in some of our profit-generators of the future".

Mr Roy Hale, director of the Berkshire Enterprise Agency: "We want new companies looking for capital to come to us"

It may fairly be asked why a county as prosperous as Berkshire, with pressures upon business resources, low unemployment, and skills shortages, needs an enterprise agency at all. Yet the agency is in Mr Hale's words, "becoming a permanent feature of the economic and commercial life of the county after five years work".

The outsider trying to find out what makes Berkshire "tick" so loudly and healthily is struck time and again by the delicate balancing act that is going on within the county. The enterprise agency has a lead role to play in that performance. It has to work to protect scarce resources.

The agency was set up by the county in 1982 as a joint public-private sector initiative but with no assurance of a long life. Indeed it was to operate for just a year at a time for as long as it continued to be needed. Since then it has advised 5,000 clients – 1,600 already in business and a startling 3,200 planning to start up businesses in Berkshire – and has proved its worth to the satisfaction of the county and its private sector sponsors.

Two years ago the agency was given permanent status in the life of the county by the adoption of a five-year strategic plan.

Marketing the agency's services by direct means has proved unnecessary. There has been a constant procession of ambitious business hopefuls through its consulting rooms.

"We challenge all assumptions, we act as Devil's Advocate"

However, a sizeable number have been gently encouraged to think again. The agency sees it as part of its duty to dissuade people from starting new ventures if it is thought the risks are unacceptable.

"We listen, we challenge all assumptions, we act as Devil's Advocate", says Mr Hale. "We help them form a business plan, using a computer model if necessary. Then we go to the banks or other funding sources to help them raise the money. We are most definitely not just a talk shop".

Mr Hale, who has been with the agency since it started, is an independent management consultant seconded to the directorship by the county council, which provides roughly half the staff. British Rail, Lloyds Bank, and Barclays Bank, have also seconded business advisers and the agency also makes good use of a network of auxiliary counsellors. The £34,000 annual running costs are shared by the county and the private sector.

Protecting Berkshire's scarce resources during the county's phenomenal leap forward does not simply revolve around land and property as far as the enterprise agency is concerned. With unemployment in the county down to 4.6 per cent – a full percentage point lower than the South East region of England as a whole – there is already a skills shortage which concerns the agency very much.

With Home Office help, two ethnic advisers have been seconded to the agency. Their main task is try to bring into the work force the only two measurable pockets of unemployment in the county – a predominantly Afro-Caribbean group in Reading and an Asian group in Slough. In each case, there are local unemployment levels of between 10 and 12 per cent.

The hope is that both groups can be helped by schemes such as cooperatives and encouragement of individual initiatives likely to provide employment.

The first five years of the Berkshire Enterprise Agency have been mostly concerned with encouraging budding entrepreneurs to think about running their own businesses. The next five will be directed more to increasing support to existing small and medium firms in the county. The Berkshire Venture Fund is a promising start down that road.

Professional services

Powerful network

A powerful network of professional services is developing in Berkshire. There is the need to serve the growing concentration of industries based upon the micro-chip. The county is also proving to be an excellent regional headquarters for professional offices catering for the area west of London.

A majority of the big eight chartered accountants have opened regional offices in or around Reading or other central Berkshire towns. Insurance companies, legal firms, and banks, are also finding that the business generated from a base in the county can be well worth supporting with big offices.

Mr Jeremy Nicholson, of accountants Arthur Young, recalls moving to a new site in Reading in May 1986 with just 3 partners and 15 staff. Now they are employing 60 people there. "We plan to continue expanding and will probably be employing about 100 people in two years time", he says. "The biggest problem facing us now is getting the right people".

Other accountancy firms tells similar stories of growth and staffing headaches in Berkshire. The local population cannot provide all the skills and qualifications needed. But the annual trawl of universities to find likely recruits is proving productive for the accountants this year.

One accountant who has been on the provincial universities recruiting "milk run" says, "It is not very difficult persuading them to come to join us in Reading. Young graduates are attracted by the idea of living near enough London for a night out without actually having to live there. Although Berkshire is expensive, it is not above the means of these young professionals. And they like the style of life hereabouts".

A keynote of professional life in Berkshire is that business clients include a high proportion of companies which are subsidiaries of overseas concerns. Some are in high–tech, others are in more conventional industry. But all seem to have a common aim when dealing with lawyers, accountants, and estate agents in Berkshire – they want to set up shop within a clearly-defined radius of Heathrow airport. And they do not want to be locked in to long–term cumbersome property arrangements if they can avoid it. "Easy come, easy go", might be their motto.

Walker Martineau, a London firm of solicitors with offices in Grays Inn and the City, decided as far back as the early 1970s that business was to be gained by establishing an office in the Thames Valley. Their still-expanding office at the busy community of Theale near Reading is 15 years old this year. It is now equally as strong as its London counterparts.

The Walker Martineau partners at Theale confirm a problem also reported by their rivals, and by accountants and estate agents working in Berkshire. That is the clash of cultures between foreign companies trying to breeze into Berkshire and the much more conservative views surrounding commercial and industrial property dealing that are held by a number of British institutional landlords.

Traditionally, the British way has been to seek to impose restrictive convenants and conditions upon leasees and tenants: in short, to rule the roost, their critics charge.

The incoming companies, for their part, are not well-disposed towards providing deposits against future rent, or guarantees about this and that. Sometimes the parent companies in Japan or the United States simply refuse to sanction their offspring entering into such restrictive arrangements with the British property sector.

Peter Hawley, managing partner at Walker Martineau, calls the difficulty, "A philosophy clash between British pension funds (in the main the landlords), and US and Japanese businessmen who are accustomed to an altogether freer climate".

The incoming high-tech, fast-expanding industries usually want a turnkey operation without any extraneous liabilities. They find the British practice of 15 or 21 year leases with rent reviews abhorrent to their free-wheeling business cultures. Instead they seek the simplicity of a straight let with an annual rent review.

The differences in attitudes towards property are giving the professionals working in Berkshire's booming industrial sector plenty to do.

Meanwhile, although Reading is emerging from its drastic rebuilding programme as the regional centre, it is by no means the clear favourite location yet for the professionals.

Bracknell, Slough, and Wokingham, all have their adherents. "The jury is still out on Reading", said one Berkshire lawyer darkly.

Profile: G.D.Mountfield

Cutting a market swathe

G.D.MOUNTFIELD, the power mower maker at Maidenhead, is living proof that a traditional engineering company can thrive in the hothouse atmosphere of what some fancifully call Silicon–on– Thames Valley.

The company has never been in a stronger position than it is today, in spite of working amid the strong competition for skills and resources that has been generated by high-spending newcomers.

Mountfield has stayed with its traditional market – the quality end of power grass mowers working on the rotary cutter principle – and has carefully avoided the pitfalls of temporary fashions in the mower business.

Mountfield's turnover for last year will be comfortably above £20m, representing a impressive increase of £6m on the previous year. To achieve those figures, it has won 60 per cent of the British petrol engine rotary mower market with models for mowing any patch of grass from small back gardens to sports fields. And it is now exporting 25 per cent of its production with fast-growing demand for its mowers in continental Europe.

That Mountfield should thrive with its rotary mowers is most appropriate for the rotary mower happens to be a local invention. In 1931, Mr David Cockburn, who lived in Iver, Buckinghamshire (not quite Berkshire, but near enough), decided that clipping his hedge with a pair of hand shears was no occupation for a gentleman. Being something of an inventor he borrowed his wife's vacuum cleaner, fixed a rotary blade across the suction side and tried it on the hedge. The contraption did not work.

But while examining it on the lawn he discovered it was an efficient grass cutter. What is more, it also collected the grass cuttings into its bag.

Mr Cockburn patented his invention all over the world as a rotary mower with rear grass collection. He went into production with a company called Power Specialities in 1933 and shortly afterwards was joined by a young apprentice Mr Denis Selby. In the 1930s, they made rotary mowers in two sizers – 15-inch and 18-inch blades – and priced the models at a guinea an inch:

Mr Roy Ashwell, managing director of G.D.Mountfield: delivering a handsome return on investment

By 1952, Mr Cockburn's patents had run out and the business became part of another company. Mr Selby, who had his own ideas for improving the dated mower designs, started his own company, Mountfield, in Maidenhead in 1962 with a partner Mr Don Hamilton. They borrowed £2,000 and spent £750 it repairing the roof of a wooden hut which was to be their headquarters.

The name Mountfield, by the way, was made up. Mr Selby admired the wartime commander Lord Mountbatten, and "field" was a useful association with grass for a lawn mower maker.

Mr Roy Ashwell, the present chief executive, joined as sales manager in 1967 when Mountfield's turnover was £350,000 in a year. By 1979 the company was on the crest of a wave doing £12m of business a year. But by then it was complacent and short on new product ideas. After losing money in the early 1980s it was bought by Ransomes Sims and Jefferies of Ipswich for £4,250,000 in 1985. The 143 staff were retained and Mountfield remains an autonomous manufacturer within the Ransome group at its original Maidenhead site.

The labour force has remained at virtually the same level ever since while production has more than doubled to well over 100,000 machines a year. During the busiest production periods of the year, Mr Ashwell hires temporary workers through agencies. The system works well, he says, and there is no shortage of temporary labour in Berkshire for employers willing to pay well.

A growing number of good workers in the area are exploiting the jobs market to suit their personal life-styles by working only through agencies and combining periods of work with long holidays.

Mountfield will not be caught with a range of old models again. It is now market leader in its high quality mowers sector and is spending 4 per cent of its annual turnover on development. Its entire range of products has been designed and developed within the last five years. Taking a leaf from the books of the high-tech businesses it is rubbing shoulders with in the district, it is using its own McDonnell Douglas Information Systems computer-aided design computer to produce and style new mowers.

Mr Ashwell having delivered Ransomes a handsome return on its investment is brimming with confidence that Mountfield can improve upon its recent successes from its Maidenhead base.

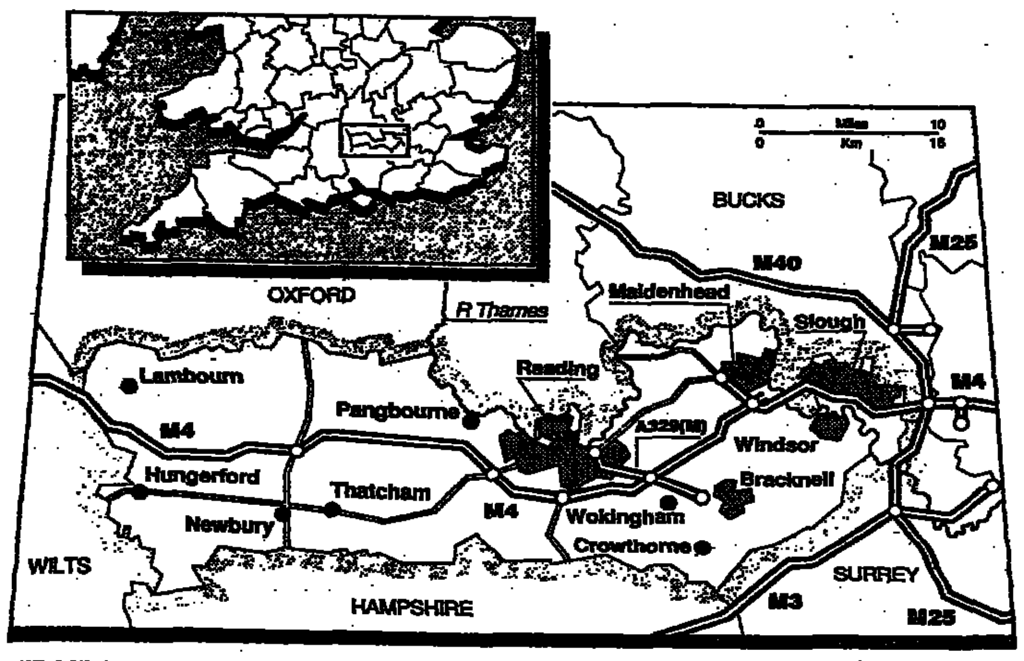
Meanwhile, he is struggling with reluctant suppliers of parts all over Britain to work with his company's "Just in Time" system for the arrival of parts for final assembly. He has abolished the old production lines and instead has a series of groups of workers, each producing complete machines.

With space at a premium in one of the priciest manufacturing locations in Britain he is dedicated to squeezing production out of every available square foot of Mountfield's premises.

Does he find his task made more difficult because he is operating in Berkshire? "No. This is where we started. I find the faster pace of life hereabouts these days stimulating".

Commercial and industrial property

'Crying out for sheds'



The shape of Berkshire offices to come: an artist's impression of St Martins Property's Sapphire Plaza development at Reading now under construction

THE SORT of industry and commerce that is conveniently labelled "high-tech" in Berkshire tends to occupy sleek modern buildings handily situated for the M4 and Heathrow airport.

Assembly, distribution of imported parts, and computer software, make up a large part of the activity and it is backed, of course, by a growing volume of professional and technical services.

This high-tech industry is now estimated to provide directly one in every five of all jobs in Berkshire compared with one in every seven jobs as recently as three years ago. For every worker in high-tech there is at least one, probably two, workers behind the front line providing services. So overall, approaching half the county's workforce is now involved, in one way or another, Berkshire's recent industrial revolution.

Even more will become involved during the next few years. A recent survey by the highways and planning department forecasts that more than half Berkshire's businesses expect to recruit more staff in the next three years.

Land for industry and commerce is in very short supply. Eventually it may be the shortage of such sites rather than constraints upon housing development that slows Berkshire's pell-mell growth.

The government last year revised the planning rules for industrial and commercial development. These new use class orders, which govern planning consents, are now having the effect of blurring the price distinctions between parcels of land which hitherto had been specifically priced upon their designation for conventional industry, high-tech industry, or offices.

In Slough, on the Bath road, £1m an acre has been paid recently for land for high-tech use. And industrial land without any obvious high-tech linkage has gone for £700,000 an acre in the east of the county. Of course, most land-owners are trying to sell for high-tech developments at premium prices. Meanwhile, as Mr David Anderson, the county chief estates officer puts it succinctly, "People are crying out for sheds".

"Metal-bashing", and metal finishing activities, paintshops, and similar hand maidens to industrial activity are finding it difficult to exist in modern Berkshire alongside their glittering neighbours who are practising the skills of high-tech. Older industrial buildings are being knocked down to build modern premises commanding higher rents. It makes the place look tidier and is presumably progress. But it is making life progressively harder in Berkshire for the old activities.

Windsor and Slough district council has just addressed itself to the problem in its own district by building and letting 19 small business units on a site in Maidenhead. All have been quickly let within the last few months to small specialists anxious to get a foothold in the golden area.

The same authority, incidentally, is experimenting with a novel scheme to help solve the chronic problems of shortages of space and shortages of labour in its district. It has formed a partnership with the Wrekin District Council in Shropshire were there is plenty of low-cost accommodation and a labour surplus.

Windsor and Maidenhead has hired five people in Shropshire to work for it up in Wrekin as a computer programming unit using remote terminals. Eventually Windsor and Maidenhead hopes to build this unit, some 150 miles away, up to about 25 people.

Meanwhile Wrekin has applied for funding from the European Community social fund to help support the venture. The two authorities also have a second plan under discussion to work together to promote tourism.

The supply of land for new business activity in Berkshire will not run dry while the county council is able to continue its policy of actively selling off land to acquire extra capital for desirable infrastructure improvements across the county. The county's capital programme has increasingly been funded by these sales. This year it expects to realise £20m from the sale of land such as the sites of closed schools, unwanted buildings, and playing fields.

Mr Tony Allen, the chief executive, expects revenue from such sales to rise to £26m next year and perhaps £20m during the year after that. The sums will be useful additions to the county's total revenue budget of £350m.

But there is a limit to the amount Berkshire can raise from land sales. By 1990, the programme will be well past its peak and thereafter revenue from such sales will fall sharply.

Office rents and premium grade high-tech premises rents in Berkshire currently range from about £20 a sq ft in Slough in the east, down through about £18 a sq ft in Reading, to about £10 a sq ft in Newbury in the west. But there is a strong, almost insatiable demand for the best quality commercial properties, so the pressure is still upwards.

Developer John Norgate, chairman of Trencherwood Properties based in Newbury, has a business plan for the 1990s based upon 30 per cent of his programme being in building commercial property and the remainder in private housing and retirement homes. He estimates base rents for commercial property in Newbury as rising this year to as high as £13.50 a sq ft. Industrial rents in the area, he says, are now running at £6 a sq ft compared with £4 a sq ft just a year ago. He too is trying to do something to help the acute shortage of "shed" properties for industry by building new industrial space with small floor areas.

Newbury will be helped to sustain its growth by a major release of some 60 acres of business park land just south of Newbury controlled by Trencherwood. A broad mix of high-tech industrial premises, conventional industrial premises, and distribution depots is planned.

It is inevitable, given the pressures upon the Heathrow district and east Berkshire that new industrial and commercial development will be gradually squeezed out down the M4 to the the growing urban area around Reading and further west. It also seems inevitable that in spite of all the efforts of developers such as Trencherwood, and councils such as Windsor and Maidenhead, some of the small, more traditional industries will be forced to move to other parts of the south east where labour and premises are cheaper and more easily found.

This pressure is already the subject of regrets. "If one thing saddens me about modern Berkshire, it is the decline of blacksmith engineering which developed round here out of agriculture and used to contribute so richly to the local scene", one resident and long-time student of the industrial community commented.

Meanwhile, building work for high-tech activity rolls on. Nixdorf Computer is building a £27m new centre in Bracknell's Park One business centre to coordinate all the company's British activities and provide a new software development centre. And there will be more Berkshire land for biggish high-tech developments if Mr Ridley, the Environment Secretary, has his way. He has asked the county to submit revised policies taking into account the revised use class orders, in particular the replacement of consents for different types of industrial and commercial with a single "business use" category.

There also promises to be a lot more retail space. Mr Ridley has rejected a county council strategy to limit the amount of additional shopping space to be provided over the next eight years. All applications for new shops in town centres and on out-of-town sites should be considered on their merits, he says.

Following the government's recent intervention, Berkshire is almost certainly going to have more new industry, more houses, and more shops by 1996 than the council believes is reasonable.

The nature of the council's balancing act between growth and the protection of a still beautiful county with an atmosphere all its own suggests Berkshire should recruit a high wire artist of the calibre of Blondin.

Profile: Slough College of Higher Education

New freedom to train

Getting down to work at the flexible learning unit, Slough College.

A GROWING shortage of labour is likely to be the biggest single obstacle to Berkshire's future growth. In the past year the number of unfilled jobs advertised at the job centres has risen from under 5,000 to nearly 6,500. Meanwhile fewer young people are coming on to the jobs market. The stark demographic truth facing the county is that there will be a 25 per cent reduction in the number of 18-year olds in Berkshire between now and 1992.

The future role of Slough College of Higher Education, situated as it is in a heavily populated area at the hub of Berkshire's industrial activity, is of special importance given the new emphasis being placed upon training to develop precious skills. And the college is embarking upon an adventure of its own. It is to be, in all essentials, privatised.

Mr Ian Wallis, director believes he is speaking for the majority of his staff when he says: "Frankly I relish the prospect of the freedom that is being offered to us".

His is one of the colleges of higher education which Mr Kenneth Baker, the Education Secretary, intends to remove from local education authority control and give wide powers to raise and manage their own money.

Wallis, with a current annual budget of £8.5m will find himself running a free-standing corporation created by statute and having the same basis of operation as the polytechnics and the universities.

If Slough is seen as the industrial beehive of Berkshire the college is where many of the bees learn to fly. It caters for 10,000 students a year on upwards of 1,000 courses and employs 500 staff. Its reputation is such that it is never short of applications from foreign students.

If the Baker scheme is implemented, the college will still receive some money from the county authority, which at present provides 25 per cent of its budget. But Mr Wallis and his staff will have to turn the college into much more of a money-earner than it has been up to now.

Four out of five Slough College students are already part-time. With the number of school-leavers falling the college intends to concentrate even more heavily upon part-time education in future. Mr Wallis believes that strategy is suited to the college's future in "an active economy with aspiring people".

At present, just under half the college's students are aged over 25 – some are in their 40s. and 50s. As the trend continues. towards older students the college will be trying to clinch more contracts with local industry to provide training for company work forces.

The college has already published a brochure for senior executives in the Thames Valley pointing out that they now have a chance to influence the training of their people by means of joint ventures with the college.

Mr Wallis says regretfully of some industrial concerns in Berkshire, "They are still in the age of recruiting by poaching from each other". Nevertheless he expects light to dawn before long among even the most hardened poachers among managers. "The only way they can secure the skills with certainty will be by training up their present work forces," he says.

The college has already set up a flexible learning unit with funds from the Manpower Services Commission and £400,000, so far, committed in support by industry. The college is taking the training to participating company's own premises, and – showing true entrepreneurial style – has appointed a project manager. That, says Mr Wallis, will be the pattern for the future for teaching mature students.

When the college goes independent, every sector of its activities will be managed as separate business centre with staff enjoying considerable, managerial freedom to choose their own targets. "Yes, it is going to be a change of culture for us," Mr Wallis admits.

Flexible learning units are another weapon the college is adding to its armoury. Mature students will be able to choose from a range of modular courses to help them towards qualifications. It should be much less limiting upon students' time than the traditional system of two nights a week, or so, in class, rain or shine. Linked to flexible learning, the college is developing a telephone counselling system so that lecturers and tutors can help students with problems quickly and informally.

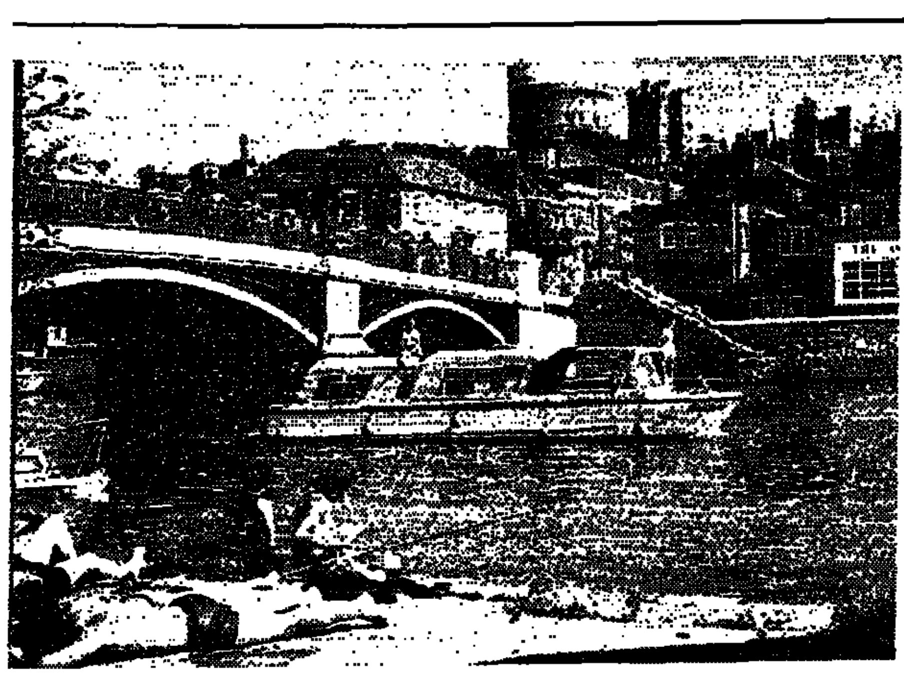
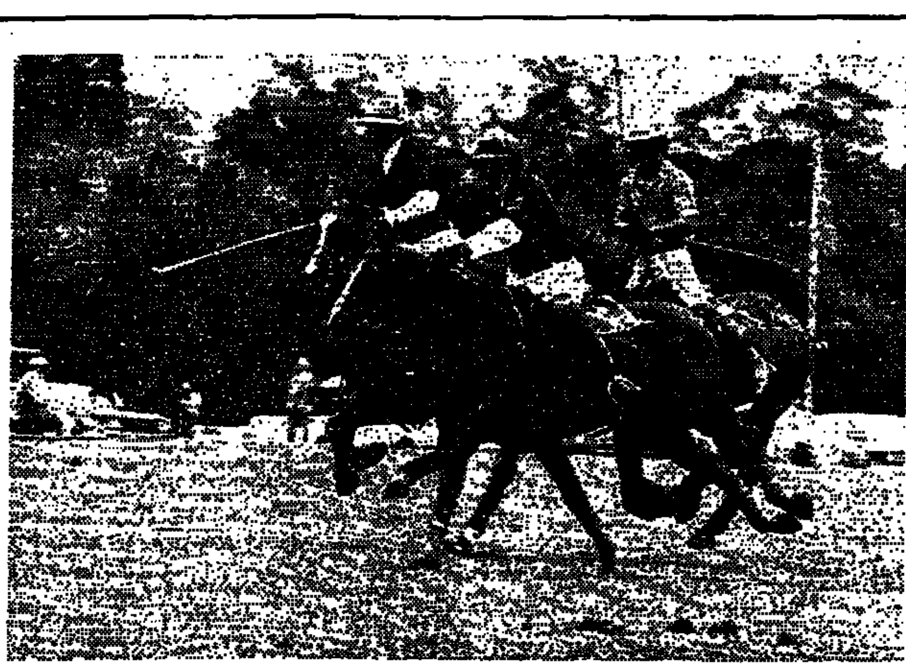
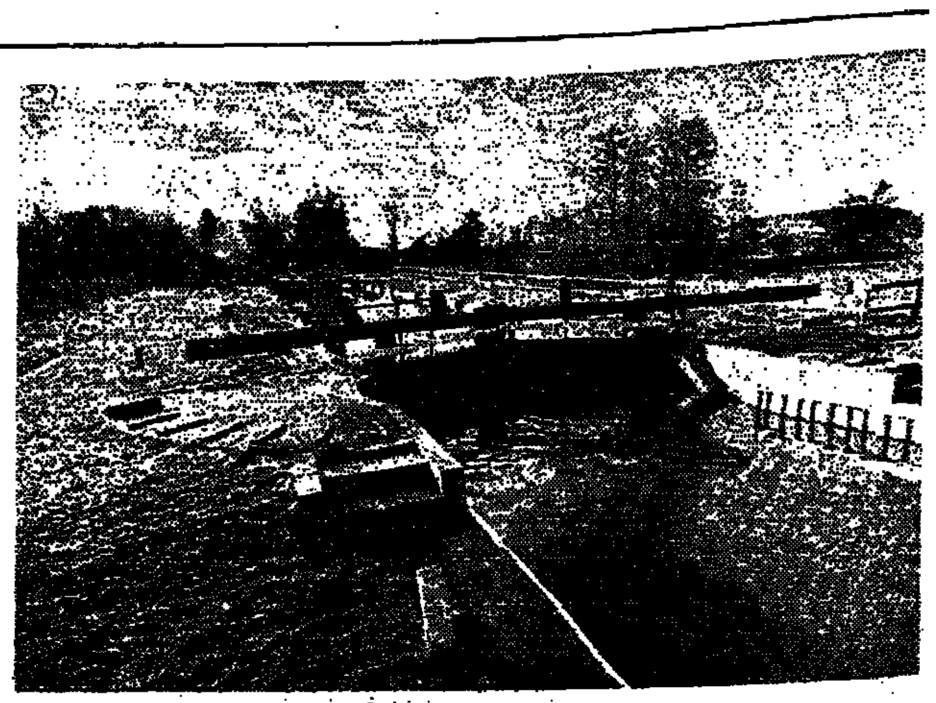
Foreign students can provide a useful extra income for a college like Slough. Most join existing courses and thus bring down unit costs. During the last 18 months, when fees from foreign students have been running at up to £500,000 a year, the college has sent Mr Len Judge, its international liaison officer, to market the college in Hong Kong and Kuala Lumpur.

One quarter of the population of Slough is made up of various ethnic minorities (mostly Asian) and the college has had an international reputation with successive generations of foreign students.

Slough College, when it gets its freedom, intends to be a kind of supermarket of educational opportunities for people of any age in the Thames Valley who want to get on, or who are being pressed by their firms to learn new skills. "We are in the right place at the right time. The economy around here is being held back by lack of skills. For the college staff it is now a matter of making it work," says Mr Wallace.

Financial Times Tuesday February 23 1988

BERKSHIRE 4

Some of Berkshire's most notable tourist attractions (from left to right): the River Thames at Windsor, polo at Great Windsor Park, and the recently-renovated Kennet and Avon canal at Sheffield Bottom

Tourism

Array of amenities for business and leisure

"IT'S A better place to talk business", trumpets the Royal County of Berkshire in its conference brochure.

The county's publicists know what they are talking about. There are three dozen conference hotels in the county, many of them clustered in the elegance of the Thames Valley, and it is hard to get a room in any of them between Monday and Friday as businessmen sort out their policies in smoke-filled rooms, or attend conferences on sales, computer usage, staff attitudes – indeed, anything that gets them out of the office.

Restaurants and hotels in the Thames Valley and thereabouts have, in recent years, probably enjoyed more popularity than they strictly deserve. That is even acknowledged by those in the trade. They have had the good fortune to be sucked along in the wake of the computers and high-tech bonanza in the district. The micro-chip does seem to generate an inordinate demand for food, drink, and good lodgings. Nevertheless some of the establishments really are first class.

"We are trying to put our county on the tourist map", says Mr Tony Allen, the chief executive of the county. "That means having good relations with the tourist industry, the restaurants world, the river authorities, the Safari Park (Windsor), and all those minority interests which want to spend time in Berkshire."

It must be said that the county council and the district councils are managing to do it rather well. Berkshire extracts more money from tourism for the easement of its rate-payers than most counties in Britain. The Royal attractions of Windsor themselves draw 3.5m visitors a year, many on day trips from London. Indeed, a good number of Windsor's visitors pack in the trip as an alternative to spending a couple of hours in the transit lounges at Heathrow airport. There is the apocryphal story of the American woman who looked out of the Jumbo jet window as the aircraft was on its final approach into Heathrow. "You are now passing directly over Windsor Castle" the pilot was saying over the inter-com. "Why on earth did they build it next to the airport?" the good lady expostulated.

Berkshire's recent success in expensive leisure facilities clearly has much to do with the fact that there are now reckoned to be more head offices in Berkshire than in any other town or county in Britain outside London.

And Berkshire does have the natural back-drop of the Thames Valley to woo its visitors when they tire of Royal pomp and panoply. The river scene can be achingly beautiful or depressingly sordid within the same mile or two. No matter. Visitors find it has a magic of its own which brings them again and again.

The darker side of the Thames scene is being tackled with vigour. Thames Water, based in Berkshire at Reading, has a programme for improving amenities, regulating the excesses of hire launch parties, and keeping the river clean.

At Reading and Windsor, there are plans to improve the river frontage opening it up to visitors with more amenities. The Windsor and Maidenhead Royal borough, which has within its bailiwick some of the most beautiful stretches of the Thames, is developing its own local riverside strategy. Among other schemes it wants to make it easier for tourists to visit and enjoy the better-known beauty spots such as Boulter's Lock, and Cookham Reach – without, however, offending the susceptibilities of local residents who pay high rates for the privilege of living in the Thames Valley and do not want it turned into a goldfish bowl. The local authorities in the area find that a desirable new car park for the passing trade can also prove to be a painful eyesore for residents.

The old Kennet and Avon canal system joins the Thames at Reading. In the early 19th century it was, for a brief space of time, a thriving commercial link between Bristol and London, before the coming of the railway put it out of business.

By 1990 the old waterway should be open again throughout its length after years of painstaking restoration work by local authorities and volunteers. When the waterway is working it will be a valuable new amenity providing a leisure waterway through west Berkshire.

The canal will not be able to accommodate the big motor cruisers that plough up and down the Thames in summer – the gin palaces. But the hope is that it will prove attractive to lovers of small canal cruisers, ramblers, and fishermen.

The Kennet and Avon Trust points out with vigour that this will be no ordinary canal. Apart from joining two important river navigations – the Bristol Avon in the west and the Kennet (later entering the Thames) in the east – it is a spectacular water course in its own right. There are nearly 88 miles of canal with 104 locks. One flight at Caen Hill west of Devizes, Wiltshire, rises 237 feet in a couple of miles.

Recently, to speed the restoration of the Kennet and Avon, it has been made a job creation project under the Community Programme. Over 200 young people have been working on it, clearing the "cut" and re-building locks in the intricate old brickwork patterns.

The old and the new came together last year when, hard-by the Aldermaston nuclear establishment in west Berks, the canal's Aldermaston lock was opened and promptly won a Civic Trust award for the quality of the restoration.

The county's Beautiful Berkshire tourism campaign is homing in this year on theme weekends – that time of the week when hotels are free from business conferences and training courses. It is offering ballooning in west Berkshire – the Newbury Icicle meeting is a winter highlight – William and Mary celebrations at Hungerford, and, of course, such favourites as the Royal Windsor Horse show, the Royal Windsor Rose Show, Royal Ascot, and Henley Regatta.

For followers of the turf, a visit to Lambourn should not be missed. This workaday little town on the west Berkshire downs is one of the world's great bloodstock centres. There are 1,200 racehorses in training in the district. They can be informally inspected any morning as they are ridden up to the downs for the gallops. If you like talking horses then Lambourn with its cosy pubs used by the stable lads is the place for you. And if you like seeing them run, and placing money on their backs, then it is worth reminding that Berkshire also boasts three race courses Newbury, Ascot, and Windsor.

Residential property

An insatiable demand

EVEN IN the heady atmosphere of the Berkshire property market, it came as something of a shock last month when the county council was able to realise £4.2m for two plots of residential land at Burnham, Slough, totalling slightly less than 6 acres.

And that was not the whole sum involved in the deal. Local builders, Thamesway Homes of Iver, also agreed to pay £400,000 for improving an adjacent road intersection including traffic lights.

Two points might be made about this deal. It confirms what many professionals in the Berkshire property market have been saying – that the day when up to £1m an acre for residential property sites can be obtained is fast approaching in the most sort after corners of the county. And it demonstrates the way the council's present policy of seeking "planning gain" from developers works in practice.

A direct benefit to the local infrastructure has been obtained in the deal, and the housing development will get the associated roads it needs.

The days of "planning gain" deals in Berkshire may be numbered, however. Mr Nicholas Ridley, the Environment Secretary, has come down against them being part of the county council's property policy. Mr Tony Allen, the county chief executive, foresees difficulties ahead following the Ridley ruling if the council is expected to find all the money for infrastructure associated with housing developments – particularly local roads, site facilities, and community facilities.

Mr Allen also points out that the sensible developer building houses in Berkshire accepts his responsibilities towards the surrounding environment.

The Berkshire housing market has to be seen in the context of a county which is one of the fastest growing parts of the south east region. In 1985, Berkshire had a population of 699,000. It is now about 730,000 and growing at a rate above 1 per cent a year.

Although the county is disappointed with Mr Ridley's response to its draft structure plan, there is no doubt that the 7,000 additional houses by the mid-1990s he is demanding, over and above the council's recommendations, will be occupied eagerly as soon as each of them is ready.

Berkshire has sustained a very high rate of housing growth over the last 30 years. During 1976-82 an average of 4,400 dwellings a year were being built. During 1983-85 the pace of house building quickened again as high- tech industry brought new prosperity came to the area. More than 6,000 houses were being built every year.

The current rate of building is still more than 5,000 houses a year with the private sector providing nine out of every ten new houses. Indeed, the private sector has increased its building rate in the county by 75 per cent during the last ten years.

Commenting on the Ridley proposals for Berkshire housing, the council's Labour group charges the government with forcing upon the county "an extra 7,000 homes at prices that local people will be unable to afford". Dr Lawrence Silverman, the group leader accuses the ruling Tories on the council of having a "couldn't-care-less attitude towards the new generation of Berkshire people who are looking in vain for homes they can afford. Between them (the government and the Berkshire Tories) they have made a complete mess of things".

The Alliance councillors of Berkshire are hardly less enraged by Mr Ridley's intervention in the county's housing policy. Their leader, Mr John Leston comments: "the rape of Berkshire is set to continue now that Mr Ridley has decided to take more notice of the house-builders' public relations agencies than the clearly expressed wishes of the people of Berkshire".

The Alliance support the county council, however, in its "planning gain" policy designed to ensure that major developments do not proceed until a firm plan has been agreed for infrastructure developments.

Mr Leston offers an interesting comment on the row between the county and Mr Ridley over "planning gain". He says: "the county council's original structure plan contained many creative and helpful proposals designed to minimise the damage caused by rapid development. Mr Ridley has removed those weapons from our armoury, leaving us more vulnerable to the developers. In particular, we are amazed that he has acknowledged the problems of severe traffic congestion in Reading, and has then supported policies which will make it worse.

While Labour hammers away at the high cost of Berkshire housing, and wants new consideration to be given to cheaper homes for first-time buyers, all the Berkshire council politicians seem to be united in their fears for central Berkshire. When, as appears inevitable if Mr Ridley's extra houses are to be built, Reading spills south of the M4 towards Wokingham and Bracknell, they foresee that nothing will stop continuous urban development right across the centre of the county.

The intention is that 5,000 of the 7,000 extra new houses will be within the areas of Bracknell and Wokingham district councils. Other locations proposed are the Newbury-Thatcham area to serve demand in west Berkshire, and in Slough at the east end of the county. House prices clearly indicate the pressures in the Berkshire housing market. A poor little terraced house in Reading can fetch more than £40,000. Something rather better, but far from being a high quality property, can fetch £85,000, if it is near the university.

In the more desirable rural parts of the county, particularly around the Thames, Newbury, and the Kennet and Avon canal, decent family houses with four or five bedrooms are not likely to be below £120,000, and can fetch well over £300,000. If you can find one with a river frontage be prepared to pay between £30,000 and £100,000 extra for the privilege of access to the water, depending on the size of your desired domain.

The Berkshire highways and planning department reckons that local house prices have risen by 30 per cent in the past year. "It has been one of the highest increases in the country" says Bob Clarke, director of the department. Combined with the effect of past increases, the average price of a house in the county is now some 70 per cent above the national average – a stark reflection of the overall high demand, the general economic buoyancy of the county, and the ready availability of mortgages.

Although the Ridley proposals for 7,000 extra houses in Berkshire, over the next 8 years or so, are proving the very stuff of political contention, it is worth remembering also that the effect of them upon the total housing market in the county will be minimal. New houses – even when being built at a rate of more than 5,000 a year as has been happening – only account for some 10 per cent of all the houses sold in Berkshire.

The message from the housing market is that the open and fast-moving nature of high-tech industry and commerce calls for an equally open and flexible housing market.

Housing needs and a proper concern to protect the Berkshire environment are unlikely to reach any amicable formula for living together in the foreseeable future.

Basic Facts

Population: 730,000

Berkshire Enterprise Agency: 10 The Forbury, Reading. 0734.585715

University of Reading: Whiteknights, Reading. 0734.875123

Berkshire College of Agriculture: Hall Place, Burchetts Green, Maidenhead. Littlewick Green 4444

Berkshire College of Art and Design: Raymond Road, Maidenhead. 0628.24302

Reading College of Technology: King's Road, Reading. 0734.583501

Principal Chambers of Commerce: Slough, 0753.77877 Reading, 0734.595049

Berkshire County Council: Industrial and Commercial Property Register and Business Information: Shire Hall, Shinfield Park, Reading, 0734.875444

ARTS

Tate Gallery/William Packer

Bomberg vindicated

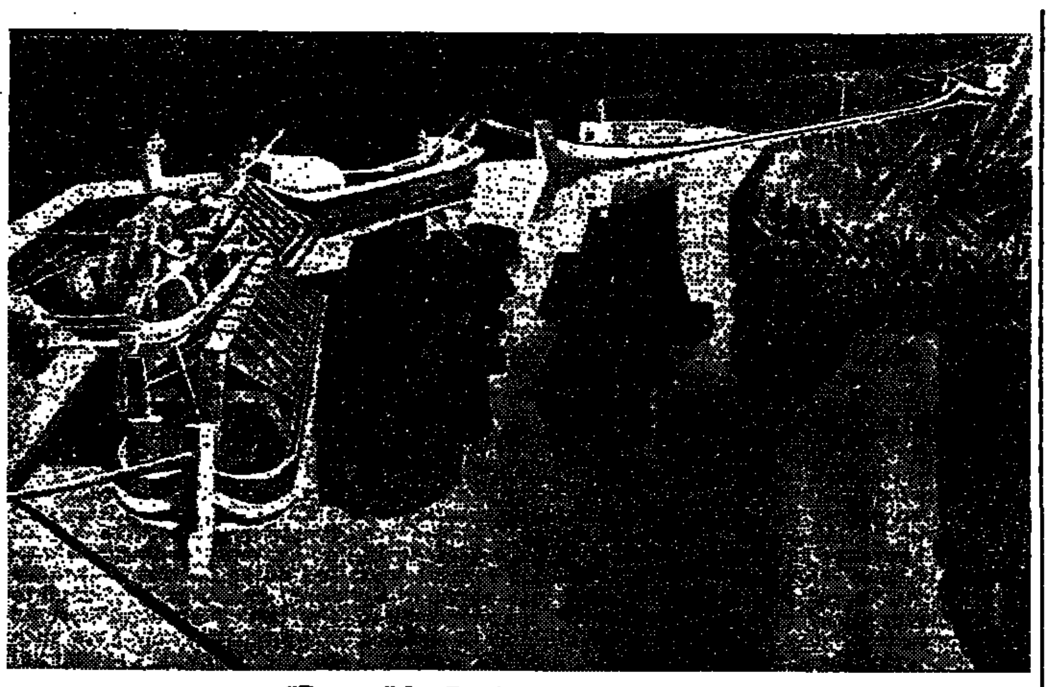
David Bomberg died in London in the summer of 1957 at the age of 66. Although he was always a figure of some consequence in the art world, combative in his own cause and commanding a small but loyal following of students and collectors, he nevertheless suffered long years of shameful critical and official neglect. He died in straitened circumstances, a depressed and embittered old man whom we now recognise as one of the most distinguished of British artists of this century. The evidence, presented by the critic, Richard Cork, in his study of the life's work now on show at the Tate Gallery (until May 8: then on to Seville and Yale), is incontrovertible.

The received wisdom always was that Bomberg's great moment came when, barely out of the Slade, he was the most precocious of the Vorticists in their brief efflorescence in the year or two before the First World War. After that, for Bomberg as for the others, it was downhill all the way. This impressive show gives that the lie, although this is hardly surprising since the processes of revision and rehabilitation have been in train since the mid 1960s. They began with several small shows, including one by the Arts Council at the Tate in 1967, and there were pioneering studies into the Vorticist achievement in general, and inevitably into Bomberg's part in it, by Anthony d'Offay and Cork himself. Even so, for any but his Vorticist work, he remains virtually unknown abroad; and here, as in that earlier Tate show, it is still that astonishing early work, as radical in its commitment to a simplified abstracted imagery as anything then being done in Europe, that principally commands attention.

The problem is that our neat art-historical boxes are so convenient that we are reluctant to give them up, and artists like Bomberg, who awkwardly insist on going their own way, don't fit. Even with Vorticism he remained strenuously his own man, always at pains to dissociate himself from Wyndham Lewis and his insistent polemic. And as the years went on he found himself ever more isolated, as disillusioned as anyone by a dreadful war, and cut off physically by long periods spent working abroad in Spain and Palestine. Pugnacious, apparently changing and inconsistent in his work, and Jewish too – and it is shocking to remember to what degree a casual anti-semitism was a commonplace of British life between the wars – there were many in the art world who held that Bomberg had contributed in no small way to the troubles and neglect of which he complained so bitterly.

To be confronted by the room full of the magnificent city roofscapes of Toledo and Jerusalem that he painted in the 1920s, and the free and opulent rockscapes of Ronda and Cuenca of the 1930s that hang next door, is to be mystified that there ever was any problem of understanding or acceptance. Kenneth Clark, replying to a request for an official purchase, wrote: "Although I recognise that your work has many qualities, it does not appeal to me very strongly and I would not be acting sincerely if I were to buy it;" and we can only take him at his word. The greater rebuff, and one all the more hurtful for following hard upon an apparent encouragement, came some years later in 1942 with his one commission from the War Artists' Advisory Committee, to paint an underground bomb store in the Midlands. In the event Bomberg was excited by the subject and worked upon an extended series of drawings, studies and proposals for further works. But the committee, of which Clark was chairman, rejected the painting which he submitted in fulfillment of his contract, taking only three of the drawings, which they then failed to exhibit.

The work stands now, of course, as his triumphant vindication, and not only in the particular instance of the Bomb Store work but throughout: at no point are we left in any doubt, and it is the signal quality of this exhibition that it gives us work that, for all its obvious variety, remains all of a piece, the product of a single unifying sensibility. There is no sense in which the early Vorticist work is relegated or qualified; here it hangs as celebrated and impressive as ever. But now at last we can see that there was never any essential change or shift, no setting off in an entirely new direction.



"Barges" by David Bomberg, 1919

We look at the great paintings of 1913 and 1914, "The Mud Bath" and "In The Hold" with all their squares and edges, and what we find are canvasses in which the handling of the painted surface is as lively and active as ever, though worked within such highly systematised constraints. And when we come to the wonderful paintings of the rooftops of Toledo and Jerusalem, of the cliffs at Ronda, of St Paul's Cathedral rising above the razed City, or the late almost recklessly free Cornish landscapes, there is always the firmest pictorial structure laid down just beneath the skin, most rigorously imposed for all the dissimulating freedom of the statement. "I approach drawing solely for structure," he said: "I am perhaps the most unpopular artist in England, and only because I am a draughtsman first and a painter second." In fact in him the draughtsman and the painter are indivisible.

The final rooms of the exhibition are both heartening and depressing: depressing because of what we know of his circumstances and current reputation; heartening because his work remains as strong and vital as it ever was, to the very end. It was also in his final years when teaching at the Borough Polytechnic that his other great legacy to British Art was created, by precept and direct example; it is by the later careers of such artists as Frank Auerbach, Leon Kossoff, Roy Oxlade and Dennis Creffield that his memory was first kept alive and is now celebrated.

Smaller Bomberg shows not unnaturally occupy several other galleries – Gillian Jason, 42 Inverness Street NW1, until March 18; Odette Gilbert, 5 Cork Street W1, until March 18; Bernard Jacobson, 2a Cork Street, until March 12; the Boundary Gallery, 98 Boundary Road, NW8, until April 9; and Fischer Fine Art, 30 King Street, St James's, SW1, from March 9 until April 8 – all worth seeing.

Maria João Pires/Elizabeth Hall

Paul Driver

The concert career of the Portuguese pianist Maria João Pires, which was retarded by a period of ill health, but successfully resumed a couple of years ago, continues to blossom. On Sunday afternoon she easily enthralled the audience for her recital at the Queen Elizabeth Hall, when she played a first half of Mozart sonatas and Ravel's *Jeux d'eau*, and a second half devoted to the Twenty-four Preludes of Chopin.

The two sonatas were done with marvellous limpid precision and evident conviction as to their structural consequentiality. Both (the C major, K.330, and the A major, K.331) were presented virtually without inter-movement breaks, and one had a palpable sense of their large-scale musical architecture in each case. The theme and variations first movement of the A major was shaped in an altogether grand fashion, lent a convincing weightiness which its sweet surface belies. The familiar *Alla turca* finale, by contrast, came not as the highpoint of expectation but as something more unemphatic and subtle; though the pianist found thrilling enough (expertly devised) martial sonorities for its end, just as she always in fact found memorable ways of signing off her items during the concert.

The Andante cantabile movement of her C major sonata had uncommon depth of feeling behind its melodic grace, while the finale to this work was a cascade of keyboard colour and a lesson in dynamic gradations and the discrimination of touch. *Jeux d'eau* was an abrupt contrast and wholly enchanting.

Of the Chopin Preludes Ms Pires made a profound, concentrated, and, in line with their sequence of moods, increasingly tempestuous statement. Especially ear-catching were the Lento second prelude's bleak, muffled, dissonant bass accompaniments (Ms Pires showed an exceptional control of the bass register in everything she played), the epigrammatic flurry of the fifth piece (*Allegro molto*), her clinching of the twelfth, *Presto*, prelude with a pair of bullet-shot thumbs, the great expressive curve of her fifteenth (the "Raindrop"), the authentic fire in her *Presto con fuoco* sixteenth, and the determinedly hard, unrelenting sonority of her twenty-fourth, *Allegro appassionato*, prelude which was naked passion to be sure, and whose ending with repeated Ds in the bass was made wonderfully raw.

Messiaen's 'Livre'/Festival Hall

David Murray

Jennifer Bate gave the British première of Olivier Messiaen's *Livre du Saint Sacrement* in Westminster Cathedral about sixteen months ago, with the composer on hand to approve. He returned on Sunday afternoon, when the event was re-enacted in Festival Hall – less hallowed, but boasting a clearer acoustic and an organ with a range of plausibly French timbres. Miss Bate's playing was phenomenally lucid and assured, and she took brilliant advantage of what the organ can afford: it was obvious why she should be one of Messiaen's specially favoured interpreters.

Except for those who are implacably resistant to Messiaen's music, it was a mightily impressive performance. Miss Bate's gift for finding the dramatic bite in Messiaen's rhetoric was vital, for in this huge work – eighteen highly various pieces in all, lasting well over two hours – there is less continuous music than ever. Piece after piece offers instead a sequence of discrete events, sculpted musical objects, with room to take dignified breath in the interstices; in the absence of developed argument, high-definition silhouettes are essential.

They are fairly familiar silhouettes, of the patent Messiaen stamp (do-it-yourself Messiaen is quite feasible, but he had to think all his modes out in the first place): sequences of hyper-rich chords not far from Poulenc, dewy fragments of plainchant, bursts of stylised birdsong (with ornithological footnotes), "toccata" sections where the hands do repetitively exciting things over a stern pedal-line, gentler musings that float against a luminous haze. In the *Livre*, the cadence in "Puer natus est nobis" that evokes Messiaen's teacher Paul Dukas cannot be an accident; but the recall of Stravinsky's *Les Noces* in the penultimate piece might be, and in the preceding "Prière" the echo of George Harrison's "My Sweet Lord" *must* be.

As usual there is some naively literal theatre (doomy Frankenstein-music for the Resurrection, operatic thrills for the apparition of Christ to Mary Magdalen), and close brushes with kitsch (as in the meditation on the Eucharist). But Messiaen remains incorrigibly himself, and for a 76-year-old composer – now 80 – to use his well-tried elements in a construction of such monumentally sustained piety can be no sin.

The Importance of Being Honest/Glasgow

Michael Coveney

The touring company Wildcat unveiled their new production at Jordanhill College of Education, Glasgow, over the weekend. Billed as a musical farce, David McNiven's show touches on issues of freedom of information and official secrets with many a merry allusion to the cases of Sara Tisdall, Clive Ponting and Spycatcher.

Maisie McSween (Dorothy Paul) is a cleaning lady in a government office. Surprised by a couple of cross-talking secret agents, she dives under a desk and overhears that the Parisian blue will be extinct by the end of the year due to "a presence in the atmosphere." This is unwelcome news to her nature-loving son Somerled (Gordon Dougall), whose lepidopterist leanings impel him into the arms of an intense botanist, Professor "Hamish" Fitzgerald (Valerie Edmond). Classified information is leaked in a Butterfly monthly.

The magazine offices are raided by the Special Branch, and the McSween family trailed by the secret agents in various quick change disguises. Each half ends with carefully organised farce sequences (well directed by David Anderson) that cut across the otherwise familiar structural pattern for this kind of rapid fire political cabaret. Doors and filing cabinets jump open and slam shut on Stewart Laing's clever grey cut-out design of tower blocks and offices.

Steve Kettley and Alexander Morton

At their best, Wildcat transcend the debilitating weaknesses of most satirical entertainment. Sustained argument or complexity of thought are not to be found. But vitality of communication and fine music and lyrics are here in abundance. I often think, in fact, that David McNiven is one of the best musical theatre talents in Britain today.

The truth games start with a splendidly intricate song about George Washington, and the score embraces funky blues, jazz and reggae. The lyrics are unfailingly literate and beautifully delivered. One extended item ("Will we ever really know all we want to really know about Marilyn Monroe") alights on various conspiracy theories concerning Hilda Morrell, Ronald Reagan, and John Lennon (with a cunning quotation from "Imagine"), all wrapped up in a plaintively melodic ballad employing the full range of the company's musical skills.

By this time the Special Branch man has been transformed into an amnesiac dog and the unemployed Joe McSween (Alexander Morton) identified as a security risk on account of his trades union activities. The element of Big Daddy paranoia, of names on lists we don't know about, is twisted into a finale thanking us for coming but suggesting we will pay for the privilege.

The Importance of Being Honest does not begin to tackle the very hot topic of a British citizen's democratic right to know as opposed to his civic responsibility as a subject of the Crown. But it does offer the sort of scattergun, energetic theatre we see too little of south of the Border. And the Wildcat company are as talented and likeable as ever. They play town halls and community centres throughout Scotland this and next month, ending with a three-week run at the Glasgow Citizens in April.

BBC Symphony Orchestra/Barbican Hall

Andrew Clements

Saturday's concert in the Barbican-based "A Theme, with Variations" series managed to include two sets of variations – Walton's on a theme by Hindemith and Elgar's Enigma Variations. However, the most interesting item in the BBC Symphony Orchestra's programme, conducted by James Loughran, was the Viola Concerto by Thea Musgrave.

If a general criticism can be made of this celebration of British music it is that a valuable opportunity to explore neglected facets of the repertoire has generally been ignored. Even discounting the clamour of the special-interest groups which tend to obscure rather than aid the cause of a whole cadre of English composers, there is any number of orchestral works commissioned and first performed in this country during the last 20 years or more that have been hardly ever been revived.

The Musgrave Viola Concerto is such a piece: it was commissioned for the Proms in 1973, given its first performance with the composer's husband Peter Mark as soloist, and then allowed to languish. Yet as Paul Silverthorne's performance here lucidly demonstrated, it is a well-characterised, rewarding work in a genre not overpopulated with viable examples. There are neatly turned dialogues between the soloist and orchestral principals and some vivid scene-setting in the tuttis; the four-section form (constituting a continuous span of music lasting 20 minutes) is dramatically coherent, though not consistently memorable. The viola sometimes lights among some bold, opulent melodies, and it's in those that the expressive core of the concerto seems to be sited.

Under Loughran's direction the BBC SO was in weighty, responsive form throughout the evening. The Hindemith Variations were presented as a a thoroughly serious and searching set, making a strong case for the work to be regarded alongside the First Symphony and the Violin and Viola Concertos in the first rank of Walton's orchestral music, rather than as another example of knee-jerk, virtuosic orchestration. The Enigma Variations too acquired symphonic strength, and in a curious way completed a line of continuity through the programme.

While the links between Elgar and Walton are obvious enough, one might not have fitted Musgrave – a Scottish composer now resident in the United States – so happily into such a British tradition; on this occasion though, not only the textures of her scoring but also the cast of some of her melodic, made that inheritance seem surprisingly relevant.

Nash Ensemble/Wigmore Hall

David Murray

On Saturday the Nash team gave the penultimate concert in their "Paris 1867-1987" series, which met their usual scrupulous standards both in programming and in execution. Perhaps there were more little-ish pieces than usual: Fauré's Second Piano Quartet made excellent ballast at the end but the next longest work was only Tristan Murail's *Thirteen Colours of the Setting Sun* – 15 minutes of neo-Impressionist minimalism in search of a pretty video.

Each "colour" is generated around a single interval, in successive sections: a pair of winds fixes the interval, while a pair of strings and the piano sideslip in the direction of the next and throw up decorative haloes. Murail has a clever ear but the dominant impression was that this stuff is not hard to do, nor – given its chiefly colouristic terms – does it test compositional muscles against any formal constraints. Some threadbare effects pass across the twilight vista without a hint of saving irony, or so it seemed at first hearing.

Fauré's Second Quartet is a seasoned Nash standard; I admired particularly the vicious snap of their phrasing in the Finale and the new authority of Marcia Crayford as leader. The pianist Ian Brown devoted much of his evening to making Fauré's bass-line smoothly sonorous (for he accompanied the little flute *Fantaisie* and a half-dozen songs too): fair enough but he often kept higher figuration too discreet to make Fauré's subtle variety register against the basic suavity.

Roussel added some useful astringency to the fare. With Brown, Philippa Davies offered his op. 27 *Joueurs de flûte* studies in crisp style: more unabashed fantasy would have been a bonus in "Pan" and "Krishna" (as also in Fauré's *Fantaisie*, nicely turned though it was – and Brown was terribly literal with Roussel's seven-to-a-bar), but "Tityre" was a bright, clean tour de force.

With the seductive Jill Gomez, Miss Davies brought his pair of lovelorn Ronsard settings, op. 26, to palpable life. Much the same could be said of all these Nash performances: critical niggles are only a matter of looking an irreplaceable gift horse in the mouth.

Opera Restor'd/Elizabeth Hall

Richard Fairman

The conversion of the Elizabeth Hall so that it can take small-scale staged performances has opened its doors to a variety of fringe opera companies that otherwise lacked a prestige outlet in the capital.

The gains that might accrue from this move, in terms of widening the repertoire and encouraging new talent, are self-evident; and so it is especially unfortunate that one of the first takers should stray so far off course.

Opera Restor'd is a new company, devoted to the revival of English masques and baroque operas. Their claim is to restore "authentic production" styles but somewhere along the way that objective has gone hopelessly awry: the desire to look in period has resulted in a cascade of powdered wigs, frilly lace costumes and flouncy posturing and dancing that could submerge even the greatest stage-works of the day in a sea of preciosity.

Of the two works that they selected for this treatment, J F Lampe's *Pyramus and Thisbe* (1745) came off the more lightly. This is a "mock opera," cleverly adapted from its Shakespearian source and displaying a fine sense of humour in its score. It certainly does not need a production as heavy-handed as that devised by Jack Edwards but out of the great volley of jokes that he threw at the piece, at least a few hit the target. In Neil Lunt's Pyramus it also had one amusing player.

To stage Purcell's *Dido and Aeneas* in the same way, however, is nothing short of a crime. One would have thought that this, of all early English operas, could virtually play itself but here the overlay of camp theatricals was so thick that not a glimmer of the work's power, humanity or genuine depth of feelings was able to shine through. The playing of the small orchestra (six instruments) under Peter Holman was some compensation, though even that reduced the music to one overall mood and tempo. The singing was adequate but no more.

It only remains to note that the score of *Dido* was supplemented by dances taken from other Purcell works so as to restore its original character – but at a price: the opera ended with two cupids in pink turbans twirling cutely about the stage and not in unison either.

Arts Guide

February 19-25

Opera and Ballet

LONDON

Royal Ballet (Royal Opera House, Covent Garden). A varied triple bill of The Sons of Horus, Symphonic Variations and La Fin du Jour.

Royal Opera (Royal Opera House, Covent Garden). Janacek Jenufa returns to the house in the production by Yury Lyubimov that was new and widely admired last season.

English National Opera (Coliseum). The first ENO production of Britten's Billy Budd assembles a greatly promising cast. Also in repertory this week: Graham Vick's deeply unsatisfactory Madam Butterfly production and the latest revival of David Pountney's fun but not-very-Offenbachian Orpheus in the Underworld.

PARIS

Paris Opéra. Homage to Serge Lifar by the stars and pupils of the Paris Opera Ballet with Icare danced in Picasso's decor and costumes alternates with Katia Kabanova inaugurating a cycle of Janaček in a co-production with the Los Angeles Music Center Opera conducted by Jiri Kout. (47425371).

Salle Favart. Enjoyable double bill of La Dansomanie and Paquita.

TOKYO

Lyon Opera Ballet (Nakano Sun Plaza) Cendrillon where all the dancers wear masks and move like dolls in this fairy tale for adults. (478 8888) (ends Feb 29)

Fujiwara Opera Company (Tokyo Bunka Kaikan, Ueno) La Traviata conducted by Edoardo Muller and directed by Gianpaolo Zennaro in Italian. (Tue) (371 5384, 369 7020)

WEST GERMANY

Berlin, Deutsche Oper. Der Liebestrank, produced by John Copley, will have its premiere this week. Tosca has fine interpretations by Janis Martin and Ingvar Wixell. Manon Lescaut brings Pilar Lorengar, Ann Murray and Giorgio Merighi together.

Hamburg, Staatsoper. Cav and Pag stars Julia Varady and Wladimir Atlantow. Zar und Zimmermann is a well-done repertoire performance. Carmen, sung in French, features Ruza Baldani and Franz Grundheber. La Traviata completes the week.

Cologne, Opera. Pique Dame is respectable with Josef Protschka, Manfred Volz, Martha Modl and Nadine Secunde. Don Pasquale has a strong cast with Ulrich Hielscher and Janice Hall. Hellen Kwon repeats her much praised Queen of the Night in the Magic Flute. Also offered Der Barbier von Sevilla.

Frankfurt, Opera. This week's highlight will be the premiere of Otello with star tenor Rene Kollo in the title role and Gary Bertini as conductor. Also in repertory: Cosi Fan Tutte with Margaret Marshall and Bodo Schwanbeck; Le Nozze di Figaro with Edith Mathis and Tom Fox; and William Forsythe's ballet Impressing the Zar.

Stuttgart, Württembergisches Staatstheater. Fidelio returns to the house with Deborah Polaski, Raili Viljakainen and Toni Kramer. Die Entfuhrung aus dem Serail has fine interpretations by Yoko Nakamura and Gunter von Kannen. Iphigenie auf Tauris in Achim Freyer's production with Tomoko Nakamura, Claes H. Ahnsjo.

Munich, Bayerische Staatsoper. Tannhaüser has Julia Connell brilliant in the two roles of Venus and Elisabeth. The cast also includes Spas Wenkoff and Claes H Ahnsjo. Ariadne auf Naxos has a strong cast with Delores Ziegler, Sabine Hass, Christian Boesch and Claes H. Ahnsjo. The Magic Flute takes the leads Elfie Hobarth, Angela-Maria Blasi, Manfred Schenk and Siegfried Jerusalem. Romeo et Juliet, choreographed by John Cranko, closes the week.

ITALY

Milan, Teatro alla Scala. Francesco Cilea's Adriana Lecouvreur conducted by Giuseppe Patane in Lamberto Puggelli's production. The cast includes Montserrat Caballe, Jose Carreras, Juan Pons and Fiorenza Cossottop (80 21 26).

Rome, Teatro dell'Opera. Bellini's La Sonnambula conducted by Alberto Ventura in a well-sung but somewhat drab production by Silvia Cassini. Also the Teatro dell'Opera ballet company in Heinz Spoerli's Midsummer Night's Dream. (46 17 55).

Genoa, Teatro Margherita. Madame Butterfly conducted by Daniel Oren, with Yasuko Hayashi in the title role, Kumiko Yoshi as Suzuki and Giuliano Ciannella as Pinkerton. (58 93 29).

Turin, Teatro Regio. Gotterdämmerung in Gianfranco de Bosio's production conducted by Zoltan Pesko, with Heribert Steinbach (Siegfried) and Jeannine Altmeyer (Brunhilde). (54 80 00).

Trieste, Teatro Comunale. Ariadne auf Naxos conducted by Spiros Argiris, in Giulio Chazalettes's production, with scenery and costumes by Ulisse Santicchi. The cast includes Johanna Meier and Penelope Lusi. (63 19 48).

Palermo, Teatro Petruzzelli. Barber of Seville, conducted by Daniele Gatti and directed by Dario Fo, his first attempt at opera. The cast includes Leo Nucci and Alfredo Mariotti. (52 41 761).

Bologna, Teatro Comunale. Roberto Simone's highly successful production of Rossini's Il Signor Bruschino (given at the Rossini Opera Festival at Pescara in 1985), conducted by Maurizio Benini and designed by Enrico Job. (52 99 99).

NETHERLANDS

Amsterdam, Muziektheater. Premiere of the Netherlands Opera production of Salomé by Richard Strauss, directed by Harry Kupfer. Hartmut Haenchen conducting the Rotterdam Philharmonic, with Eva Maria Bundschuh in the title role, Gunter Neumann (Herod), Helga Dernesch (Herodias), and John Brocheler as Jokanaan (Wed). The Laura Dean Dancers and Musicians from New York with the world premiere of a new ballet. (25 54 55).

NEW YORK

Metropolitan Opera (Lincoln Center Opera House). James Conlon conducts August Everding's production of Khovanschchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens and Donald McIntryre. Nello Santi conducts Luisa Miller in Nathaniel Merrill's production with Silvia Mosca, Wolfgang Brendel and Paul Plishka. (362 6000).

WASHINGTON

Washington Opera (Kennedy Center Opera House). Fidelio, conducted by Gerard Schwarz, in Michael Hampe's production features Laila Andersson-Palme as Leonore, Herbert Eckhoff as Don Fernando and Marcus Haddock as Jaquino. (254 3770).

Saleroom/Antony Thorncroft

Glass joins ceramics

Sotheby's in London yesterday held its first combined sale of glass and ceramics covering the period up to around 1820. The idea is to interest buyers of early glass in early ceramics, and to separate the punters for 17th and 18th century pottery and porcelain from the addicts for the later 19th century wares, which have a quite different appeal.

The glass section totalled £120,538, with 15 per cent unsold. There was an exceptional price of £10,450 paid for a rare octagonal sealed wine bottle dating from 1738. Its contents may not be drinkable but the odd shape of the bottle, which carries the name J.M.Reeve, attracted competitive bidding which went way ahead of the £2,500 top forecast.

Grahame, the London dealer, paid £7,700 for an early Anglo-Venetian goblet of the late 17th century, which was also estimated at up to £2,500, while Seibu of Japan bought a Silesian engraved sweetmeat glass of around 1735 for £5,280. Another London dealer, Jeremy, acquired an Apsley Pellatt sulphide plaque of around 1820, bearing a bust of King George IV, for £4,400, way above forecast. A silver gilt mounted Silesian serving jug of around 1730 sold for £4,180 as did a Viennese transparent enamelled topographical beaker of around 1820.

This is the time of year when Sotheby's attempts to extract any superfluous cash from the skiers at St Moritz that the local hoteliers have overlooked. Its annual jewellery sale there is now a feature of the social season and during the week end one auction record was established – for any coloured stone. A 62 carat Burmese sapphire, which John D.Rockefeller bought from an Indian prince in the early 1930s, sold for £1.52m (3.96m Swiss francs), in line with expectations. In 1980 Sotheby's had sold the same stone for 2.53m Swiss francs, so it shows a worthwhile appreciation.

The auction totalled £10,349,398, which was a record for St Moritz. Top price was the just over £2m paid for the Ashoka diamond, a 41.37 carat D-flawless diamond of great age. It comes from the Golconda mines of India and was made up into a ring by Harry Winston.

A Fragonard watercolour of a canal sold for £107,490, at the bottom of its estimate, at Sotheby's in Monaco at the weekend, while among the furniture, in a rather lacklustre sale, with 28 per cent unsold, a Louis XV commode carrying the stamp RVLC did better than expected, selling for £109,683.

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Mr Shultz's initiative

RARELY can an international peace initiative have been mounted in more inauspicious circumstances than the Middle East mission being undertaken this week by Mr George Shultz, the US Secretary of State.

The plan for resolving the Arab-Israel conflict which Mr Shultz will be taking to the region from this Thursday has been greeted with dissension within the Israeli body politic, scepticism in the Arab world and more violence in the Israeli-occupied West Bank and Gaza Strip. The substance of the US proposals appears to have already been rejected by large segments of the Israeli right, Syria and the Palestine Liberation Organisation.

The assumption among sceptics and rejectionists alike is that they are witnessing a half-hearted attempt by a lame-duck Administration to ease the immediate pressure on Israel rather than a sincere bid to address the central problem.

Unseemly haste

Washington has put little high-level effort into mediation between the Arab states and Israel since 1982, and has been forced to act now in what might seem like unseemly haste by the 11-week-old Palestinian uprising in the occupied territories. By any conventional measure, the timetable Mr Shultz is setting himself – involving the start of negotiations on their final status by the end of this year – looks too ambitious. Moreover, many observers argue that the uprising itself is an entirely new phenomenon which demands new thinking from everyone involved rather than a reformulation of long-standing US ideas.

Yet the indications are that considerable care has gone into the latest proposals, and that Mr Shultz knows he needs to show he is in earnest by exerting pressure on Israel for concessions. Out of that, there is a chance that progress will be conjured, if not towards a solution then at least towards a clarification of the issues involved.

The skill of the Shultz plan, as confirmed in an off-the-record speech by the Secretary of State to the US Council on Foreign Relations 10 days ago, lies precisely in its pace – determined in part by the November elections in Israel and the US – and in the link it is seeking to establish between procedure and substance in Arab-Israeli negotiations.

Issues of substance

To address the immediate tensions in the occupied territories, it calls for negotiated moves to improve political conditions thereby establishing a form of interim self-rule under an elected local authority. To deal with the underlying issues, it suggests that full negotiations on the final status of the territories should be launched not much more than six months after the establishment of interim autonomy. It also appears to promise something of the political "cover" which Jordan's King Hussein needs in order to embark on negotiations with Israel by incorporating an international conference at an early stage.

The most important innovation in the new plan is the way in which it tries to focus attention on issues of substance at the outset. Mr Shultz says it will be essential for the parties to agree in general terms on what they are negotiating about – namely an exchange of territory for peace in some form as called for in United Nations Security Council resolution 242 – before they start.

There is the rub for Mr Yitzhak Shamir, Israel's Prime Minister and Likud leader, who rejects any suggestion of Israeli withdrawal from any part of the occupied territories.

The US has been notably reluctant in the past to take public issue with the Israeli Prime Minister's position. But if Mr Shultz sticks to his guns now, Mr Shamir and his allies risk being conclusively exposed as the principal obstacle to a negotiation which may offer Israel a way out from the present cycle of violence.

Time to free car imports

THE UK CAR industry has entered the silly season with the strike at Land Rover, the recently recovered and still barely profitable subsidiary of the Rover Group. The Government is right to insist, in response, that it will not bail out managers who give in to demands which their firms cannot finance.

Embarrassing

But it should go further. There will never be a more appropriate time to announce the termination of the anti-competitive voluntary export restraint (VER) agreement that has limited Japanese exports to 11 per cent of the UK car market since 1977. The legal status of this VER is far from evident. What is apparent, however, is its incompatibility with the new motto of the Department of Trade and Industry as the "department for enterprise" and the announced aim of promoting competition. By announcing the elimination of the VER, the Government can make the need for international competitiveness still more obvious.

The taxes with which the Chancellor is concerned in the Budget are not the only ones that residents of the UK have to pay. A VER is equivalent to a consumption tax on Japanese car imports whose proceeds are remitted to Japanese car manufacturers. Such a tax would prove too embarrassing for any Chancellor, let alone Mr Nigel Lawson, to introduce, so the job has been subcontracted to the Minister of Trade who, presumably concerned about the legality of such a policy within the EC, has subcontracted it to the Society of Motor Manufacturers and Traders (SMMT).

The SMMT has suggested to the Japanese car manufacturers that they should form a cartel against the British people to limit the "injury" that would otherwise be done by their ability to sell cheap, high quality cars. However happy to oblige, the Japanese must regard the request as yet another example of Occidental inscrutability.

It is not as if the costs are negligible. A study by Mr Brian Hindley published by the Trade Policy Research Centre in 1985 reported costs of about £180m, of which more than £130m was transferred to Japanese exporters from the consumer and from the EC exchequer. Work under way at the Centre for Economic Policy Research, under the direction of Professor Alasdair Smith, estimates the cost at between £95m and £130m. In this study, too, a large part of that cost results from the exceptional wastefulness of VERs compared with other instruments. So, if protection is thought justified (perhaps by Japan's alleged import resistance), a less wasteful form, like higher tariffs, would be more appropriate.

Many will object that far more restrictive restraints exist in France and Italy. But the US, about whose protectionism so many complaints are made, no longer has a formal VER with Japan. Japanese administrative guidance limits exports to 2.3m vehicles, which represents twice the market share enjoyed by Japan in the UK.

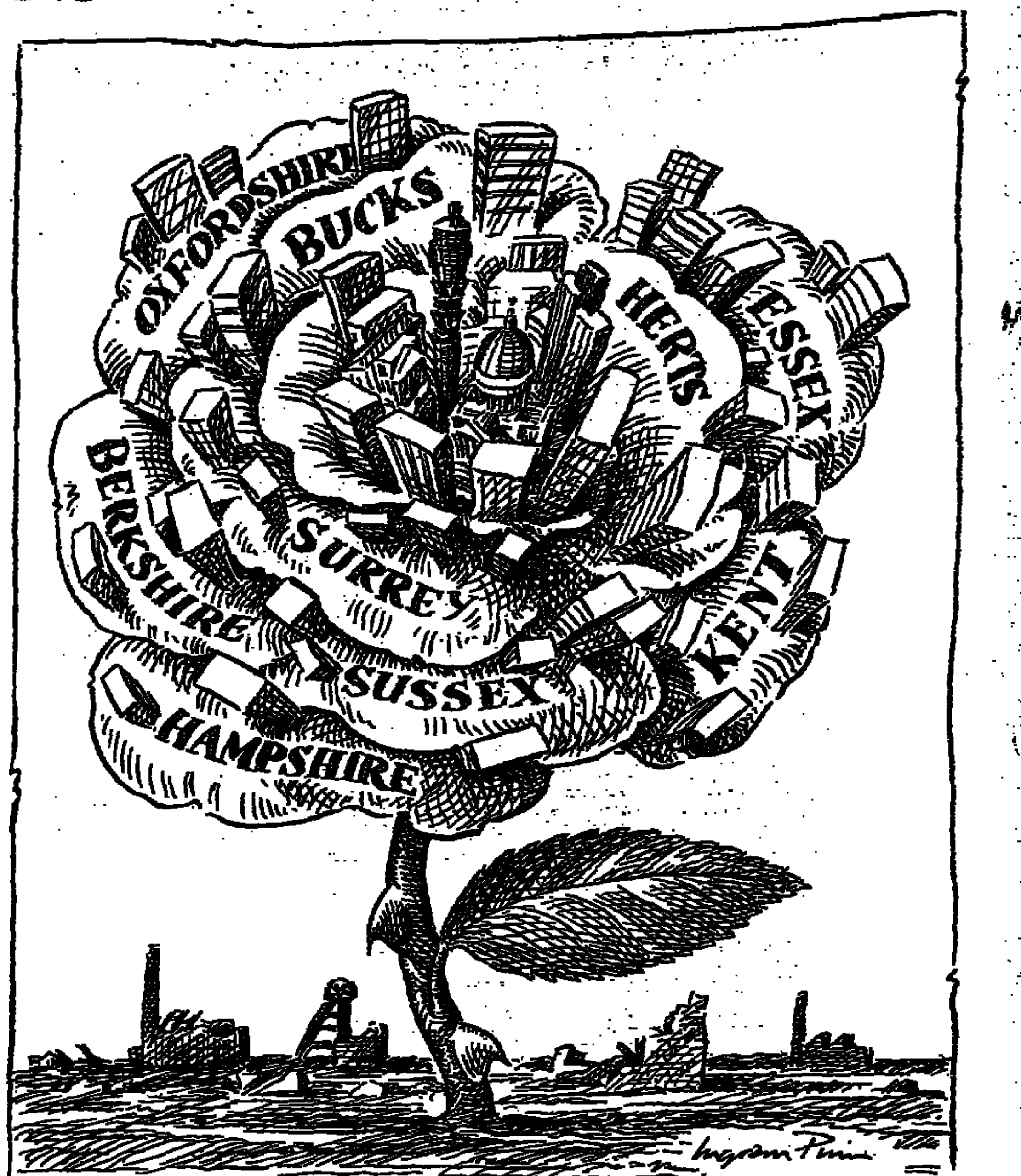
Barriers

The VER was designed to save what is now the Rover Group. These costs are incurred, therefore, to protect a group currently responsible for less than 15 per cent of sales in the UK. The VER has also contributed to the decision by Nissan to establish in the UK, but the advantages of inward-investment motivated by a desire to jump over protectionist barriers are always questionable.

What is needed is a better framework for competition within the industry. That can only be supplied by greater competition from imports. It is when workers wish to exploit the very recent and modest improvement in the fortunes of a long-declining industry that abolition of the VER is most timely. Like a cold shower, it will cool overheated expectations.

David Brindle reports on growing labour shortages outside London

Crumpled leaves in Roseland



AN UNEMPLOYED British northerner, transported to the Jobcentre in Basingstoke, Hampshire, would think he was in a fantasy world. "We have about 1,300 vacancies advertised," says Mr Peter Grant, the manager.

With official unemployment at about 3.5 per cent in this boom town 50 miles south-west of London, employers cannot recruit security guards for £3 an hour, shop cleaners for £3.05 and cooks for £8,000 a year.

The Basingstoke & North Hampshire Gazette regularly carries 25 pages of job advertisements and there are, according to Mr Grant, 50 or 60 employment agencies in the town. Ironically, these have difficulty themselves in finding local branch managers for five-figure salaries, plus bonus plus car.

To its credit, the weekly Gazette has been running a campaign on the north-south divide, focusing on the blighted Lancashire town of Skelmersdale. This prompted Basingstoke district health authority to go there to recruit nurses. Yet the newspaper also exposes the main reason for the continuing and worsening regional imbalance: 35 pages of property sales, ranging from £51,000 for a "starter home" to "four-bedroom luxury from £133,000." Not much promise there for a nurse from Skelmersdale or a cook from Middlesbrough.

So it is that the labour market in Basingstoke, as in much of the rest of south and south-east England, has ceased to grow. Finding workers is increasingly difficult for employers anxious to expand but reluctant to do so elsewhere in the UK.

The region's improved road and rail networks have made it easier for workers to sell their skills to the highest-bidding employer, as illustrated by the nightly queue of cars leaving Basingstoke to join the M3 motorway. More and more, it is a seller's market.

There is even a name for the regional phenomenon: Roseland. The first part of the word stands for the "Rest Of the South-East", the area surrounding London. It is showing all the signs of becoming just as competitive and almost as expensive for employers as the capital itself.

The name has been popularised by Incomes Data Services (IDS), the pay research group, which attributes the emergence of the Roseland factor in part to a 23 per cent growth in financial sector employment in London between September 1981 and March last year.

At the start of that period, the 568,000 workers in banking, insurance and finance accounted for 15.9 per cent of all employees in London. By the end, the 697,000 accounted for 20.1 per cent of the total. The City shakeout since the October 19 crash, while well publicised, has been numerically small and hardly affects the picture.

Finance has overtaken manufacturing and public sector services during the 1980s to become the single biggest source of employment in London. Its rapid growth has brought what IDS delicately calls "non-traditional recruitment practices which have led to a breakdown in career patterns." For which read: poaching. This, coupled with skills shortages, has led to a spiralling of pay rates in the finance sector in London. In turn, this has sucked in workers from other fields and from Roseland.

The most important development in this respect was the move last summer by National Westminster Bank to increase its pay weighting allowance for staff in central London to £3,000 a year – a move promptly matched by the other high street banks.

NatWest's determination to do this broke up the banks' joint negotiating body and, to the dismay of many employers, set a benchmark claim for other groups of workers. But it also ushered in the concept of a Roseland allowance, because NatWest introduced an associated payment of £750 a year for staff working in branches from Southampton in Hampshire to Colchester in Essex. The other clearers were obliged to follow. Staff had become so footloose that some Roseland branches within easy travelling distance of the City had no cashiers with more than a year's service.

Although outside London, Roseland is becoming almost as expensive for employers

Mr John Bond, NatWest's general manager for personnel, may as a result not be popular with his peers, but he is unrepentant. He says the banks had no choice but to act decisively in the face of worsening staff recruitment and retention problems and the imminent decline in the number of school-leavers.

In fact, while NatWest's move may have been the most influential in giving identity to Roseland, it was by no means the first to extend the London weighting concept beyond the capital.

The former government Pay Board recommended in 1974 that London allowances should be paid at two rates: an inner zone rate within a four-mile radius of Charing Cross, and a lower, outer zone rate based on the former Greater London Council boundary. The building of the M25 motorway, roughly 16 miles out, has created a new "natural" ring increasingly adopted as a London payment boundary.

Yet the clearing banks have for some years paid an allowance up to 22 miles out. Three years ago, Thomas Cook, the travel agency, went to 28 miles and Littlewoods Home Delivery Service, the mail order company, extended its outer London allowance area to include Maidstone in Kent and Reading in Berkshire. Last year, shortly before NatWest's move, the Halifax Building Society introduced a £750 annual allowance for selected outlying towns including Basingstoke, Tunbridge Wells in Kent and Stevenage in Hertfordshire.

The strategy of identifying locations to receive a premium, or extending an existing outer London allowance zone, has been preferred to the banks' blanket Roseland approach by employers such as the Cornhill, Commercial Union and Provincial insurance companies and Argos catalogue showrooms.

While it has long been accepted practice that workers in London should be compensated for the additional costs of living in the capital, or commuting to it, it is much harder for the banks to justify paying a special allowance in Southampton, for example, but not in Poole; in Bedford but not in Cambridge; or, in the case of the Halifax Building Society, in Maidstone but not in Canterbury.

For this reason, many employers are resisting the pressure to pay a Roseland premium. Sun Life of Canada, the insurance company, moved its UK headquarters last May from central London to Basingstoke, where it employs 610 staff. Having set the costs of the move against the savings made by no longer paying London weighting, it would be slightly awkward for the UK management to tell the Canadian board that it now wants to reintroduce an allowance.

"It is a difficult situation and we are trying to avoid paying an allowance by keeping our basic pay competitive," the company says. "But the more companies that go with the banks, the worse it is going to get."

Sun Life says it is finding few recruitment problems at lower staff grades. Its chief difficulties are with specialists, where national shortages are exacerbated by the Roseland factor. As a result, the company conducts twice-yearly salary reviews for data processing (DP) grades and has recently, for the first time, called in a "headhunter" recruitment agency to fill a vacancy for an actuary.

A similar picture is reported by the Automobile Association which, in the early 1970s, moved its headquarters from central London to Basingstoke, where it employs 2,500.

The AA says its main staffing problems are in DP, where it offers £18,250 a year to an experienced senior analyst/designer. This year, it will need to take on about 100 DP specialists, partly because of expansion. Significantly, however, that expansion will be concentrated not in Basingstoke, but in Cardiff and Newcastle upon Tyne, where recruitment is easier.

While the AA has just increased its London weighting payments from £1,785 to £2,300 for an inner zone and from £875 to £1,250 beyond that (to the limit of the metropolitan police area), its only Roseland-style payment so far has been a special premium for breakdown patrol staff in Surrey.

Surprisingly, perhaps, the Government is not so reluctant. With or without trade union agreement, the Treasury plans to introduce a discretionary salary premium of £600 which would be paid to civil servants in any office with staffing problems. It admits that it expects the allowance to be used mainly in the south-east, on top of London weighting where applicable.

This will be good news for managers at the Civil Service Commission, based in Basingstoke, where about 300 staff are employed and where there is growing difficulty in competing with the big private sector employers for clerical workers of the right calibre. "We have not reached desperation stakes, but we are getting very close to it," says the commission.

Public sector employers throughout Roseland would identify with this plight. There is already flexibility in local government white-collar pay rates, which enables Basingstoke and Deane Borough Council, for example, to advertise a typing supervisor vacancy at a salary of £7,833 to £9,873 plus a "local allowance" of £2,165.

At nearby Wokingham, the borough council has been advertising for a principal assistant solicitor at a salary (under review) of £15,921 plus "relocation expenses" of £4,500, a commuter allowance, a mortgage subsidy, subsidised car leasing, free professional subscription, and life and medical insurance schemes.

Such inducements are becoming standard, forcing the pace in a desperate race to offer still higher incentives and still more tempting perks. (Bromley, the outer London borough, brazenly advertises: "Car leasing for £85 per month, eg Granada 2 litre EFi Ghia, Carlton 2 litre CDi saloon/estate.")

There a drawbacks to such offers. IDS warns: "Employers who simply adopt the latest gimmick to recruit and retain will find themselves bereft of a coherent plan for the future."

Industrial Relations Services, another research group, says the picture will worsen with demographic trends among school-leavers. "Increasingly, location allowances, it seems, merely treat the symptoms of more fundamental labour market problems without tackling their underlying causes."

There is, however, a solution in sight for Mucon, a company which employed 55 people in Basingstoke, manufacturing specialist equipment for the powder-process industry. By the end of March, the Mucon plant will be closed and its work transferred to sister factories in Macclesfield in Cheshire and St Blazey in Cornwall. This has been caused by the company's inability to recruit, and keep, suitable engineering labour.

Mr Ken Case, general manager, says: "Within a 12-month period I had 25 per cent turnover. There is no way you can run a business like that. In the end, I was just not prepared to sit here and bleed to death."

OBSERVER

Worrall on his own

■Denis Worrall, the man who resigned as South African Ambassador to Britain to be an independent candidate in his country's all-white general election last year, is back in London this week: perhaps more to listen than to teach.

Worrall has not much changed: he is as intelligent and sharp as ever. Listening to him talk about the ins and outs of white South African opposition politics, however, is reminiscent of those discussions that used to go on in the upper echelons of the British Social Democratic and Liberal parties. There are too many leaders and too few troops. Moreover, the leaders do not always hit it off with each other.

His broad thesis is that the only way to achieve peaceful change is to win over some of the Afrikaners from the ruling National Party, but he will not do that by joining the National Party himself and seeking to reform it from within. At the same time, he wants his own independent movement to maintain links with, but not join, the other opposition groups such as the Progressive Federal Party. He also thinks that the political pendulum in South Africa is still moving to the right in favour of the Conservative Party, which has become the official opposition.

So Worrall – brave man that he is – is staying independent. It sounds awfully like the story of David Owen.

Wimbledon 7-1

■The bookmakers continue to apply their own peculiar brand of logic when fixing odds for the FA Cup. Third division Port Vale, in the last 10, have had their odds of winning lengthened by Ladbroke to 500-1 compared to 250-1 when 16 teams were in the chase.

Ladbroke explained that the new odds were due to Port Vale's loss of home advantage when they meet Watford tonight in the replay.

Manchester City have also been given comparatively long odds of 66-1 in an attempt to stimulate betting against Liverpool whom they meet on March 13 and who are now the 11-8 favourites following their defeat of Everton.

After tipping Middlesbrough, Everton, Newcastle and Bradford City, all now out of the Cup, the curse of Observer must now rest on Wimbledon with odds of 7-1. Their inspired performance against Newcastle and the advantage of a home tie against Watford or Port Vale should see them to the next round.

Liddell's secret

■Helen Liddell, the outgoing secretary of the Scottish Labour Party, is planning to launch herself in a new career as a thriller writer, but the exact theme of her book is a secret shared only with her agent.

She said: "It is certainly not romance. I'm not the romantic type," she confessed, saying the agent had advised her to be enigmatic.

Liddell, 37, has decided that 11 years in her present post is enough. She came to the job from the BBC where she had been Economics Correspondent in Scotland.

In spite of her conviction that politics is her life, she has stood only once for Parliament when she fought East Fife in 1974 – dismissed now as a "Christians to the lions exercise".

Her Parliamentary ambitions dissolved when she went to the House of Commons to cover the first devolution debate for the BBC and hated what she saw. Another ambition, to become the General Secretary of the Labour Party, was thwarted when Larry Whitty was given the job three years ago.

Liddell, not known for her sporting knowledge, had to be rescued by the Lord Provost when she found herself talking to a fellow Scot about football at a reception in Glasgow a while ago. She was about to ask the stranger if he played a bit himself when she she was tactfully steered away. The man was Kenny Dalglish, manager of Liverpool Football Club, in whose honour the function was being held.

Negotiations about the book are going ahead this week with a possible publication date in 1989. In the meantime, she is looking at four job offers, two of which she said are media-related. She is 50,000 words into the book with 100,000 to go.

"Good morning – I'm conducting a poll into the effects of the management's Mori poll..."

Toronto crash

■Terrance Popowich, the 31-year-old Wunderkind of the Toronto Stock Exchange, has been forced to resign his post as vice-president after the discovery of a London School of Economics MSc degree in his curriculum vitae.

The problem was that it should not have been there. Popowich, who had been widely tipped to succeed Pearce Bunting at the helm of the TSE, never passed his final exams at the LSE. He failed two attempts, then negotiated a third attempt but let it lapse.

The passing of Popowich, a prominent Liberal who served as executive assistant to former revenue minister Roy MacLaren before joining the TSE in 1984, leaves a considerable void in the exchange's management structure. As well as his main position as head of markets and market development, Popowich was the exchange's chief economist, its official representative on the International Federation of Stock Exchanges and was president of the Toronto Futures Exchange.

Bad planning

■Ministers at the Department of Trade and Industry have been handing out some rough treatment to the regions. The replacement of automatic regional development grants by selective assistance seems certain to scale down the money they are able to secure from the Treasury.

To make matters worse the map printed in the popular version of the White Paper – "DTI – the department for enterprise" – included so many glaring errors that it has had to be reprinted.

In the original version Cardiff had been relocated to Swansea, Poole to Weymouth, Reading to Oxford and Coventry to Worcester. Lord Young of Graffham, the Trade and Industry Secretary, has apologised for this rare lapse into interventionist ideology and acknowledged that "it would have been an incredible act of job creation if we had demolished and rebuilt eight cities in one year".

Fish tale

■Lady in fishmongers: "I want a haddock please."

Assistant: "A Finnon madam?"

Lady: "No, a fick 'un."

Letters to the Editor

Allocation of public health care resources examined and compared

From Professor Geoffrey Wood.

Sir, Recently in your columns – first by Michael Prowse (February 6) and subsequently in correspondence from readers – a most useful proposal for reform of the National Health Service has been misunderstood and consequently maligned. This is the proposal, associated particularly with Professor Alan Enthoven, that an "internal market" be established in the NHS.

It has been suggested that this would lead to patients being transferred long distances across Britain, to where their operation was cheapest. This might occasionally happen. But the main result of introducing these markets would be that health regions would have to cost with reasonable accuracy their various procedures. This would have important benefits.

Resources could be used more efficiently. It should be stressed that this does not mean that only the cheapest treatment should be carried out – any more than the knowledge that nectarines cost more than oranges means that only oranges are eaten. What it would do would be to make known what was being given up in one area of treatment if some other were encouraged.

Without such information, sensible decisions cannot be taken – just as it would be impossible to make sensible decisions in a grocery shop which did not reveal prices, but simply presented a totally unitemised bill on the customer's departure.

Further, if regions found that there were wide differences between them in the costs of the same treatment, they would be able to find out why this was so, and eliminate at least some of the factors which lead to some regions being expensive.

The main result of the proposal would be not the undesirable transportation of the sick, but a highly desirable increase in the efficiency of resource allocation.

Geoffrey E. Wood,
City University Business School,
Frobisher Crescent,
Barbican Centre, EC2

From Mr Stephan Schattmann.

Sir, Health ministers have decided that only a substantial increase in the private sector can raise health care resources to the level of, say, France or Germany. On February 12 Mr Leon Brittan MP told listeners to Radio 4's *Today* programme that this country was spending "much the same" in the public sector as other countries, but other countries were spending "vastly more" in the private sector. On the 1pm *News* on BBC-1 it was implied – against the backdrop of some attractive spa facilities in Bavaria – that those enjoying them did so under "compulsory private insurance" arrangements.

A few facts (all on the public record) ought to be known if there is to be an informed, undogmatic public discussion.

It was recently announced that in the UK 5.7m people are covered by private health insurance – just over 10 per cent of the population. In West Germany the number of persons covered by the statutory health insurance schemes grew between 1980 and 1983 by almost 3 per cent, to 35.8m; a further 20.5m had dependants' insurance. Thus about 56m people – 90 per cent of the resident population – were protected by statutory health insurance (source: Deutsche Bundesbank).

In 1983 seven member countries of the EC provided hospital cover under public schemes for 100 per cent of the population: Denmark, France, Ireland, Italy, Luxembourg, Portugal and the UK. In Greece and Belgium 98 per cent were eligible; in West Germany 95 per cent; 88 per cent in the Netherlands; 87 per cent in Spain (source: OECD).

In 1978 (the last complete year of a Labour government) there were 179 inhabitants per hospital bed (excluding psychiatric beds) in Great Britain against 101 in West Germany, 118 in Italy, 122 in France, and an estimated EC average of 130 (source: Eurostat).

As far as total health expenditure is concerned, France and Germany have been spending a larger proportion of their gross domestic product (GDP) than the UK at least since 1960. In public sector health care they had caught up with this country by 1965, and have been spending a larger share of their GDP since (source: OECD).

The use of gross national product (GNP) figures is open to valid objections – for example, the problem of direct comparability of such data because of variations in price levels. To get over this difficulty, the concept of purchasing power standards (PPS) has been developed. Some highly relevant figures produced by Eurostat, the EC's statistical office, exist. Yet they appear to be kept under wraps in Whitehall, and are evidently unknown to MPs and the health care professions.

These are the "European system of integrated social protection statistics (ESSPROSS)." The latest collection of data of social protection expenditure and receipts in EC member states, harmonised in accordance with this system, covers the period 1975-1983.

From these data the table below shows health care benefits per head of total population at 1980 prices and purchasing power parities. They include benefits in kind as well as in cash and administration costs. (One word of warning: these figures should be treated as approximations; they have been rounded to the nearest 10 PPS.)

	1975	1980	1983
Netherlands	600	720	670
Germany	620	730	670
Denmark	630	660	650
France	460	560	610
Luxembourg	400	540	530
Belgium	400	500	530
EEC av.	440	510	520
Italy	290	340	400
UK	330	360	360
Ireland	310	380	350

One salient fact emerges: the data show that both in 1975 under Labour, and in 1983 under the Conservatives, the public health sector in almost all EC countries was using substantially more resources than in the UK.

Stephan Schattmann,
65c Wigmore Street, W1

Third world loans should be studied

From Mr Frank Blackaby.

Sir, The loss reported by the Midland Bank prompts questions. Who were the people who authorised these extraordinarily imprudent loans to third world countries in the 1970s? Where are they now? Did they have projections of the countries' export earnings? Did they know how much had been borrowed from other banks? Did they try to find out?

Those whose interest in City practices is mainly academic would welcome a decision by one or other of the banks concerned to finance a study (for publication) of this remarkable episode – giving access to the relevant papers. Those responsible for the approvals – if still in residence – would have to be encouraged to answer questions. It would only be necessary to study the decision-making in a sample of these transactions. The cost of such a study would be infinitesimal compared to the losses sustained. Lessons might be learnt.

Frank Blackaby,
9 Fentiman Road, SW8

Missed out from the list

From Mr W.H. Bailey.

Sir, The antics of civil servants who "list" buildings (Letters, February 9) reaches its climax in Wales. Attempts to get my thatched 16th century house listed have brought the regular response that they are far too busy to consider it. I can only suppose that tracking down old phone boxes and mistaken maypoles is their horizon of intellectual stimulation.

W.H. Bailey,
Cliff House,
Llancarfan,
Barry,
South Glamorgan, Wales

Spirits bear a double duty

From Mr E.A. Tucker.

Sir, Your leader on the Institute for Fiscal Studies analysis of the effects of EC fiscal harmonisation (February 17) apparently endorses the startling view that reduction in alcohol taxes would lead to an increase in alcohol consumption of "as much as 40 per cent." The implication is that this figure applies to the UK.

The drinks industry will wonder whence this increase will arise; that it should is a notion which flies in the face of all evidence to hand.

Consumption of alcohol has fallen steadily since its post-war peak some 10 years ago, and shows no signs of rising. On the contrary: on the same day as your report of the IFS analysis, another newspaper reported new market research – yet to be published in its entirety – which confirms the trend of the past decade. People have taken and are continuing to take more care over what and how much alcohol they consume.

You cannot simply apply an economist's thinking to the matter. If a given amount is being spent on alcohol and the tax/excise duty element reduces, *ipso facto* expenditure on alcohol will remain the same in gross terms, and thus consumption will rise.

Of much greater concern to this industry is the possible effect of the harmonisation proposals as they stand. They may enshrine in perpetuity the anomalous position of spirits, as compared with beers and imported wines. As things are, spirits on a per degree of alcohol basis bear about twice the rate of excise duty levied on beers and wines. Under the proposals, this gap would widen to eight to one in the case of wine, and four to one in the case of beers.

There is no possible logic to such a system. The only fair way to tax alcoholic drinks is according to their alcohol content.

E.A. Tucker,
The Scotch Whisky Association,
17 Half Moon Street, W1

Some rags could be preferable to riches

From Mr T. Hoseason-Brown.

Sir, David Kynaston, writing about the formation of the FT (Weekend FT, February 6), surprised me. He referred to the FT, before it merged with the Financial News, as "a rag." Clearly he was not old enough to have read it at that time; he would have known that it was not in any sense "a rag," but a highly respected journal read by stockbrokers, bankers and captains of industry of the day.

It was an incomparably better financial organ than the present paper. It had several pages of dealings; it gave a much more comprehensive coverage of the previous day's market, and it gave far more news of interest to investors.

The present FT is a more successful paper as it has turned itself into a national – indeed one may say an international – daily covering such diverse subjects as sport, theatre, books and the like. This has resulted in a great deal less space for and attention to the City.

T Hoseason-Brown,
6 Norland Road,
Clifton,
Bristol

Just another to add to the pile

From Mr Roger Browne.

Sir, I showed my six year old daughter the two-page spread proclaiming your 100th birthday. Having the facsimile you published on February 12, I told her I had a copy of your first issue. She seemed unimpressed. "Are you not surprised that I have a paper from 100 years ago?" I asked. "No" she said, "You keep a lot of old papers in the pantry."

Roger Browne,
1 Woodston Grove,
Solihull, West Midlands

'The Palestinian Arabs were then and still are being badly led'

From Mr Ansel Harris.

Sir, Edward Mortimer (February 16) is not alone in mourning the assassination of Said Hammami in London in January 1978. But he suffered the fate of every prominent Arab leader who has endeavoured, over the past 40 years, to cut the Gordian knot of Arab/Israel relations. King Abdullah and President Sadat are only two of these.

I doubt if Said Hammami would have made the tasteless and invalid comparison between the "300 journalists, 200 international observers of varying celebrity and more than 100 Palestinians" – clearly engaged on a public relations mission – and the ships and their human cargoes which ran the gauntlet of the British navy in the immediate post-war years. To quote your distinguished contemporary (The Economist, February 13): "They carried the remnant of European Jewry who had escaped Hitler's gas chambers and had nowhere else to go".

And that is the issue. That, surely, is particularly where the Western world and Arab leadership failed the Palestinians. I would therefore make here what I believe is a more valid comparison than the one Edward Mortimer made.

At the end of the Second World War there were, particularly among the losers (the Palestinian Arabs were badly led, *inter alia*, by the Mufti of Jerusalem, a prominent supporter of Hitler), great population movements and displacements. In all instances – 5m displaced Sudeten and East Prussian Germans are a prime example – these unfortunate victims of war were accepted, accommodated and ultimately integrated with their kinfolk.

The Palestinian Arabs were then and still are being badly (mis-)led. The overwhelming majority would not have been displaced if the leadership had accepted the UN decision to partition Palestine again and create two states. But they were displaced; and unlike the German example, their confrères failed to make any effort to accommodate and absorb them. And, for political reasons, many still languish in the refugee camps.

Such action would have obviated much of the subsequent and continuing anguish.

Ansel Harris,
Bergstadastraeti 37,
101 Reykjavik,
Iceland.

Complex issues surround the proposed privatisation of electricity

From Mr George Yarrow.

Sir, Colin Robertson and Allen Sykes (Letters, February 16) appear to have come to the rather surprising conclusion that, in the privatisation of electricity, there are no regulatory options other than either wholehearted adoption of the US system or the "largely arbitrary and grossly inadequate" approaches implemented in telecommunications and gas.

In fact many options are available – some good, some bad. Flatly to deny their existence does little to contribute to informed discussion. Lest there be any misunderstanding about the content of my recent report, let me restate three of the main themes.

First, much could be done to increase competitive pressures in the industry by strengthening the provisions of the Energy Act 1983.

Second, in the search for improved efficiency, it would be unwise to place heavy reliance upon competition among established generating companies.

Third, vertical integration between electricity transmission and distribution (that is, passing ownership and control of the national grid to the successors to the area boards) would risk operational inefficiency without doing much to promote competition. (Witness the position in the gas industry, where high pressure transmission is integrated with local distribution.)

No doubt Professor Robinson and Mr Sykes disagree with all three lines of reasoning, but little will be gained by setting up straw men to demolish.

George Yarrow,
Hertford College,
Oxford

From Mr Alex Henney.

Sir, Perhaps unwittingly, Mr Andrew Cooper has introduced a light moment into the debate on breaking up the Central Electricity Generating Board (CEGB) for privatisation (Letters, February 16): he describes it as "trying to sell a thoroughbred horse one leg at a time". I think of the CEGB as more like a lumbering nag that I wish to consign to the knacker's yard.

Mr Cooper describes the problems which the Central Electricity Board (CEB) – which built the grid and dispatched the generating sets until nationalisation – had in controlling the generating companies. 40 years on we have computing technology and (outside the CEGB) an understanding of system economies which should enable us to structure a system to operate without the problems he encountered.

We should aim to have a mixture of the necessary carrots – through correct pricing to ensure that it is in the generators' profit interest to operate in economic merit order – and the minimum of legal stick needed to ensure that they operate for the benefit of the system as a whole when needs be.

It is in no generator's interest for the system to collapse: it might damage his machines. The rules should be regarded like banking capital ratios necessary to ensure the stability of the system.

Mr Cooper is wrong to claim that it is absurd to talk about generating stations being competitive. We can structure a computerised spot market which trades at the system marginal cost. Other things being equal, the lower a generator's marginal cost (that is, the more efficient it is), the more it runs and the more money it makes – which is what competition should be about.

Fundamental to competition is a level playing field. To achieve that end it is essential to take the grid away from the CEGB, because otherwise it will discriminate in its favour, as it did under the 1983 Energy Act. Also: to achieve competition we need to break up the CEGB's generation capacity.

Break up the CEGB and we might then have some competitive thoroughbred generators in place of an overmanned undermanaged monopoly.

Alex Henney,
38 Swains Lane, N6.

FOREIGN AFFAIRS

Looking for the right sort of vanity

Jurek Martin considers what qualities a successful US presidential candidate must have

THE current best selling book in the US, and in Britain, is The Bonfire of the Vanities by Tom Wolfe. It is not about politics, which, in a narrow sense, is a pity because nobody else will now be able to use a title that so perfectly describes what a US presidential election is all about.

To aspire to the presidency of the United States requires, above all, a certain vanity. Countless other qualities may be needed: mental and physical stamina, a pleasing persona, up until now being male, a talent for articulation and organisation, money in abundance, native cunning and ruthlessness, luck, even a coherent set of policies. But the bottom line is sheer vanity. Or, as the Oxford English Dictionary puts it, "high opinion of oneself; self conceit and desire for admiration."

In other words, a would-be president needs the job for very personal reasons, not all of which can be achieved in office and some of which may be vouchsafed only at the end of a tenure. These motivations may differ. When he was about to leave office, Lyndon Johnson was asked what he would miss most. He pointed to the helicopter pad on the White House lawn. In his valedictory, Jimmy Carter spoke almost wistfully of the non-nuclear world he had hoped, but failed, to set the world on course to reach. Dwight Eisenhower chose to warn of the growing power of the military-industrial complex that he, as general and president, had helped create without much previous public shred of self-doubt.

Some who did make it to the White House clearly wanted it too much. Richard Nixon's overwhelming desire for admiration led him to connive in high crimes and misdemeanours; John Kennedy's self-conceits were, apparently, more harmlessly devoted to the bedroom. Some seem to have been largely unchanged by pursuit of and performance in the office. This is, perhaps, Ronald Reagan's most attractive quality, and it applied, in roughly equal measure, to both Eisenhower and Truman, though both these two were deceptively hard men to begin with.

Others wanted it desperately but still fell short, none more painfully in contemporary politics than Hubert Humphrey. Even though it made no difference in the end, his undermining of George McGovern late in the 1972 campaign for the Democratic nomination was testament to frustrations rendered at least understandable by the narrowness of his loss to Nixon in 1968. There seemed a time when Edward Kennedy's desire knew no bounds, though whether it was internally generated or reflected a visceral dislike for what he saw as a parvenu southerner in Carter is a matter for debate.

Others have lacked the necessary final dimension. Men like Henry Jackson, Edmund Muskie, Howard Baker and even Nelson Rockefeller, none perfect but all possessed of qualifications that ought to have made for better candidacies. But only one has truly come clean. In 1974, Walter Mondale, then a solid favourite for the Democratic nomination and, post-Watergate, the White House, said he could not stand the prospect of two years hanging up his socks to dry in Holiday Inns around the country and dropped out. It made no difference. Ten years later he was at it again.

There are those this year who apparently think that Mr Mondale had more of a point in 1974 than in 1984. It is just possible that Democrats Bill Bradley, Mario Cuomo and even Sam Nunn are hoping for a brokered convention; it is more likely they have concluded that the next presidency, saddled, as it will be, with manifold problems, is a poisoned chalice.

Nevertheless, a baker's dozen from the two parties has been moved to run. Indeed the whole point of the election campaign, both for the nominations and for the real thing, is for candidates to convince the electorate that there is substance to their ambition. In the trade this is known as "perception polling", the technique now so sophisticated that even the flick of an eyebrow or an inflection in the voice can, it is said, convey volumes of information.

This is not quite as absurd, or as new fangled, as it sounds. In 1960, those listening on the radio thought Nixon had outpointed Kennedy in their live debate; but those watching on TV saw Nixon's shiftiness. In 1980, many professional political observers thought Carter had "beaten" Reagan in debate on narrow points of politics and fact, but the public's perception was that Reagan had won, and heavily, simply because he had seemed a reasonable sort of chap.

Less well known, but, to me, equally instructive was the 1978 New Jersey Senate race between Bill Bradley, his basketball career with the New York Knicks just finished, and Jeffrey Bell, a prominent conservative. Both were attractive, vigorous, in their mid-30s. The Bradley reputation gave him an edge but the articulate Bell was a real threat.

A photographer acquaintance followed both for weeks of the campaign and, when it was over, set up a slide show, with hundreds of pictures of each man on a split screen. The contrast was remarkable; the body language of Bradley, the athlete, was of a natural, physical warmth towards his audiences, while Bell, undoubtedly unconsciously, seemed to repel them. Bradley won the election comfortably.

The man who wants the presidency most this year, but who has the biggest "perception" problem, must be George Bush. In New Hampshire he donned the mantles of everyone from Abraham Lincoln to the Great American Truck Driver, but he won because of the enduring popularity in the state of President Reagan and because he implied Robert Dole would raise taxes. Mr Bush is still looking for that memorable moment that might enable people to understand him better. But this cannot be forced, like his staged "confrontation" with Dan Rather, the TV anchorman, but must come naturally, as it did from Mr Reagan in 1980 in New Hampshire with his immortal "I paid for this microphone, Mr Brean" outburst.

Curiously, Mr Dole's perceived nastiness, demonstrated again last week, just as it was in his vice presidential run in 1976, might do him less harm in the long run because it seems genuine. Anyway, America likes plain speaking in the manner of Harry Truman. Alexander Haig was blunt enough but disentangling his syntax was too much to ask.

Equally, the "faith" of Pat Robertson and Jesse Jackson, and, ideologically, of Jack Kemp and Paul Simon has the appeal of authenticity, even if the constituencies for their beliefs are probably too small in electoral terms. The suspicion is that Richard Gephardt's currency is forged, though cleverly. The cautious Michael Dukakis has only chosen to reveal so far his technocratic credentials. These alone will not be enough. Even Jimmy Carter, once just another successful governor, had to reveal that he lusted in his heart after women every now and then.

Of course, it is not just American politicians who have vanity in abundance. Mrs Thatcher is not exactly devoid of the substance, while, across the Channel, Messrs Mitterrand and Chirac, are, in very different manifestations, giving it full rein. If Tom Wolfe would only write about politics, we need look no further for guidance. After all, his earlier book, on test pilots and astronauts, was called "The Right Stuff", which is vanity by another name.

FINANCIAL TIMES

Tuesday February 23 1988

C&W, Hutchison in joint deal with China

BY DAVID DODWELL IN HONG KONG AND DAVID THOMAS IN LONDON

CABLE and Wireless, the UK communications group, plans to move into the satellite television business through a joint venture with Hutchison Whampoa, the Hong Kong-based conglomerate, and a banking division of the Chinese Government.

The joint venture, due to be announced soon, intends to launch a satellite from China to provide satellite television services to viewers in mainland China and other Asian countries.

The partners are likely to spend more than $150m on the project, which is believed to be the first time foreign companies would be involved in providing television services in China. The scheme will take about 18 months to come to fruition.

The three partners – C&W, Hutchison and the Peking-backed China International Trust and Investment Corporation – will have an equal stake. The first task will be to buy and repair a second-hand satellite which has been rescued from space by the Lloyd's of London insurance market.

The satellite, whose initial cost will probably amount to little more than $1m, will be repaired in the US by the Hughes Corporation and is planned to be launched from a Chinese-manufactured Long March rocket. China has taken advantage of setbacks in the West's satellite programme to promote the use of its satellite launching capabilities for civilian purposes.

While firm agreements have yet to be finalised the partners plan to broadcast programmes for the Chinese television authorities throughout mainland China and hope to arrange deals with Thailand, Malaysia and Indonesia.

In other fields, C&W and Hutchison, controlled by Li Kashing, are fierce adversaries. Hutchison, together with British Telecom, is competing against Hong Kong Telephone, 80 per cent owned by C&W, to provide cable television services in Hong Kong, a contract which is likely to be awarded by the autumn.

However, some analysts have been predicting that Hutchison and C&W were likely to move closer together because C&W could draw on Hutchison's contacts in developing its business in China, while Hutchison could benefit from C&W's experience in building up its telecommunications operations.

Hutchison's telecommunications subsidiary, a relatively recent development, now provides cellular telephone services in Hong Kong, has a substantial radio-paging business and is developing a mobile data service.

Matters have been further complicated by Li's recent acquisition of a 4.9 per cent stake in C&W for about HK$3bn ($384.6m). Li insisted that the stake was no more than a long-term investment.

President Lee Teng-hui has nonplussed Peking with the speed of his reforms, reports **Bob King in Taipei**

Taiwan on course to 'make up' with China

IN THE FEW weeks since the death of President Chiang Ching-kuo, the pace of Taiwan's political reform has quickened considerably. And while no one seems to know where the country is headed in terms of its relationship with China, most agree that detente, rather than confrontation, will mark that relationship in the future.

President Lee Teng-hui, Mr Chiang's successor, has moved quickly to consolidate his position. In the process he has confirmed that the reforms begun under the late president will continue at speed.

Mr Lee has, of course, received considerable support from the more progressive, younger members of the ruling Nationalist Party. In fact, agitation by these younger partisans propelled Mr Lee into the chairmanship of the party at the end of last month, despite the objections of the hardline clique, who had tried to defer the issue of the party chairmanship until they had had time to gather support for one of their own.

The Government also moved quickly to complete major reforms begun under Mr Chiang, but not finalised before his death. In just three weeks, for instance, the party announced guidelines under which ageing members of national bodies – parliament, the national assembly, which meets every six years to elect the president, and the control yuan, a government watchdog agency – would be retired and replaced with new representatives elected from Taiwan.

Elderly representatives elected more than four decades ago in mainland China still dominate these national bodies. This is because the Government says they cannot be replaced until free elections can be held in their constituencies in China. But their continued presence has for years been a source of irritation for many of Taiwan's increasingly-aware citizens, who argue that the makeup of the "national" bodies should be more representative of this island.

Under the new guidelines, the older generation will be encouraged to retire with handsome pensions. The number of seats elected from among the Taiwan-born will increase so that within a few years Taiwan will essentially be governed by people with roots here.

The authorities also plan to increase the autonomy of government at the local level. Already, for example, the party has agreed to submit nominations for provincial governor to the provincial assembly for approval and Yu Kuo-Hwa, the Prime Minister, has said that the mayorships of Taipei and Kaohsiung should be opened to direct elections. Previously, appointments to these three posts were at the discretion of the central government.

Such moves would, to Western eyes, seem matter-of-course, in the light of the West's long tradition of democratic government. But in a Chinese society, with an equally long history of autocratic rule, the new measures are nothing short of revolutionary. And for Taiwan, which was under martial law from 1949 until last July the changes are impressive indeed.

The major question that lingers, of course, is what China will make of Taiwan's reforms and how Taiwan will tackle the sticky problem of cohabitation in a world that increasingly recognises Peking, rather than Taipei, as the legitimate ruler of China.

Both Taipei and Peking claim sovereignty – a conundrum that continues to affect Taiwan's relations with the rest of the world, whatever its economic achievements. Taipei has in recent months made significant concessions in its position toward China, without, the authorities hope, seeming to back down from its claim to legitimacy.

PRESIDENT Lee Teng-hui said yesterday Taiwan may soon further ease its stance over visits to China by Taiwanese and allow direct trade and investment there after a policy review is undertaken in three months, Bob King reports.

Mr Lee's comments came at his first press conference, one of only a few held by Taiwanese presidents in the past 40 years. He hinted at detente with China rather than the confrontation of the past 40 years and repeated Taiwan's policy of no official contacts, negotiations, or compromise. But he hoped Peking might help to lessen tensions with its own reforms.

Mr Lee, who became president after Mr Chiang Ching-kuo's death last month, confirmed the Government was considering ways to rejoin international organisations such as the Asian Development Bank and the IMF if a formula could be found to safeguard "national interests" while participating alongside delegations from China.

Taiwan's decision to allow its citizens to visit China – after 40 years during which such visits could have provoked charges of sedition – has meant that tens of thousands of residents have been able to verify first-hand the differences in living conditions on the two sides of the Taiwan Straits.

Many, in fact, have returned from China extremely disillusioned with the situation there. This can only bolster the Government's image among its constituents here.

Taiwan has also given the tacit nod to indirect trade links with "the other side," and its explicit approval to direct trade connections with nations in the Eastern European bloc. This can only mean that Taipei is prepared to take a more reasonable stance toward its neighbours – communist or not.

The Government has also begun discussions on ways in which it might re-enter international organisations such as Gatt and the Asian Development Bank. Now, it seems, Taipei is more interested in participation in these organisations than in whether it will be known as "the Republic of China" or simply as Taiwan.

Peking, in turn, seems to understand little about the process through which Taiwan is passing. The Chinese Government has for years found it convenient to think of Taiwan's ruling party in terms of the mismanagement and corruption it represented during the 1930s and 1940s, rather than what it has begun to evolve into today.

It was nonplussed by the recent reforms and by the speed and simplicity with which Mr Lee assumed first the reins of government and later, leadership of the party.

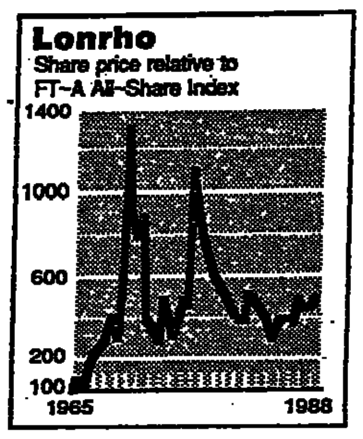
It is clear that at some not-too-distant point, China will have to revise its Taiwan policy and come to terms with an altogether different entity from the one it thought it was dealing with all these years.

THE LEX COLUMN

Not just money at stake

There is a certain piquancy about the fact that the big London clearing banks can lose billions of dollars in lending to near-bankrupt Third World countries without anyone being reprimanded, and that boardroom panic seems to set in when their fledgling investment banking and securities operations run into their first rough patch. It is clear from yesterday's abrupt resignations of the two top officials at NatWest Investment Bank that when the bank's reputation, as opposed to its loan portfolio, is at risk, drastic action is called for.

The recent recent spate of embarrassing publicity and last December's emergency capital injection into County Natwest, the group's investment bank, has taken a heavy toll on the parent's reputation as one of the best managed international banks. While the investment banking operations of other big commercial banks ranging from Citicorp to Barclays have had their difficulties in the aftermath of the crash, National Westminster's problems have looked far more deep-seated. The recent events have raised serious questions about the group's ability to manage such a wide portfolio of securities businesses, and the stop-gap appointment of a clearing banker to run NatWest's investment bank is unlikely to calm concerns.



Cambridge Instrument

Tempting as it might be for a company to feed investors with its hopes and withhold its fears, the strategy is so sure to fail eventually that it is odd to see Cambridge Instrument using it. While belated profit warnings are to be expected from ill-researched gamma stocks, it is unfortunate when large main market flotations endorsed by Kleinwort Grieveson resort to crisis communications.

Maybe the company did not know the scale of its problems three months ago when it allowed its brokers to over-forecast profits by some 60 per cent. But in that case the fall in the value of the company from £130m less than a year ago to under £40m yesterday seems no less deserved. While Dr Gooding may complain about the short-term focus of the City, shareholders can barely be expected to take a long term view of prospects if they are not told the details of what has gone wrong, nor what the company intends to do about it.

The postponement of semi-conductor equipment sales, the fall in the dollar, and the problems of integrating the two large US acquisitions may explain why the company is currently making almost no money, yet the real cause is more fundamental. A diverse company with a £100m plus turnover is not best run by one individual based in San Diego, at the opposite end of the continent from its manufacturing base. When the strategy is to buy cheap sound companies that need attention, the managerial vacuum is all the more alarming.

Things may well get better from here, yet the market is saying that it has no faith left and needs facts. The same may be true of potential bidders, who if they were prepared to buy blind, might end up with a rare bargain.

Lonrho

The Lonrho annual report, out today, offers investors their once-yearly glimpse of the activities of the oddest company to grace the FT-SE100 index. Despite (or maybe because of) the sniping at last year's report from the brothers Al-Fayed, the presentation is unchanged; the same bulky format, the same light touch with the trading details, and above all the same concentration on assets.

Fifty-five pages – four more than last year – are given to colour pictures of hotels, plantations, gold bars and whisky bottles, with the usual light garnish of descriptive text. It is possible to sympathise with this way of presenting a company of Lonrho's huge complexity, but there is a snag. Half the group's stated profits come from Africa, but there is the usual difficulty in determining how much of the cash flow from those assets can be repatriated; and as to break-up value, it is precisely in Africa that Lonrho's experience as an asset manager would be hardest to replace.

By comparison with the wild swings of the '60s and early '70s, the shares these days are positively sedate. They may have underperformed the market by nearly 20 per cent in the crash, but at 253p they have now recovered all of that in price-relative terms. The economic outlook, though, makes the group as tricky to value as ever. The outlook for both hard and soft commodities is probably not inspiring, but the prospects for international luxury hotels and Rolls-Royce dealerships looks anybody's guess. But as always, the Lonrho faithful will have income to keep them happy; and the next big event in their calendar, the AGM in March, will have the added spice of a vote on buying back up to 14.9 per cent of the equity.

Vickers

If the market needed any more proof that its concern over the so-called wealth effect of the October crash had become a bit of an obsession in some cases, it need look only to Vickers to provide it. All those truisms about the pervasiveness of share ownership in the US did not prevent the average American from spending well beyond his means at Christmas, nor deter his more up-market compatriot from boosting US unit sales of Vickers' Rolls-Royce Motors division by 5 per cent for the year.

Yuppies do not buy Rolls-Royces, and it is surprising that the market ever thought they did. Nonetheless, worries about Vickers' exposure both to the discretionary spending of Americans and to the dollar combined to slam Vickers' share price after the crash. So yesterday's news of volume growth, together with a 26 per cent increase in Rolls-Royce profits, was greeted with a sigh of relief in the form of a 6 per cent rise in the share price to 166p.

If anything at Vickers suffered from the crash, apart from the share price, it was the medical and scientific equipment division; but the doctors and hospitals are buying again and Vickers could well use the £50m or so it may get from selling its troubled business furniture division for an acquisition or two in this area. The acquisitions record of Vickers' chairman, Sir David Plastow, is not unblemished: he only got into the furniture business three years ago, and already he is bailing out. But with growth in earnings per share at distinctly uninspiring levels, an inspired acquisition looks like what is called for.

Balkan ministers in high-level talks

BY ALEKSANDAR LEBL IN BELGRADE

FOREIGN ministers of six Balkan countries gather in Belgrade today for the highest-level meeting the peninsula has seen since the second world war.

According to Yugoslav officials, who have organised the talks, the purpose is to create a better climate in multilateral Balkan relations in the hope that this will help resolve bilateral disputes, many of them to do with ethnic minorities.

The six participants are Yugoslavia, Greece, Turkey, Bulgaria, Romania, and most unusually, Albania.

In recent weeks, a series of events has improved the atmosphere ahead of the talks. They include last month's Greek-Turkey summit in Switzerland, the long-delayed signing of a cultural co-operation agreement between Yugoslavia and Albania, and the exchange of ambassadors between Bulgaria and Albania.

Our Foreign Staff adds: Although the Balkans are no longer called the "powderkeg of Europe," relations within the peninsula are complicated by a web of smouldering historic disputes.

Greece and Turkey are divided over air, sea and seabed rights in the Aegean as well as the Cyprus issue. Their relations appeared to improve dramatically last month when the two countries' Prime Ministers held their first ever talks, but no specific progress has been made.

Turkey accuses Bulgaria of having mounted a violent campaign to force its Moslem citizens to change their Turkish names and renounce Turkish culture.

The Yugoslav Republic of Macedonia periodically infuriates Athens by asserting that there is a Macedonian Slav minority in northern Greece whose rights are not respected. Greece strongly denies the existence of such a minority.

Albania's relations with Yugoslavia are perenially complicated by tension between ethnic Albanians and Slavs in the Yugoslav province of Kosovo.

Since 1984, Greece and Albania have gradually been improving their relations. Last year, Greece lifted the technical state of war that had existed with Albania since the 1940s.

Vassiliou set to endorse hard line on Cyprus

BY ANDRIANA IERODIACONOU IN NICOSIA

MR GEORGE Vassiliou, the newly-elected President of Cyprus, gave signs yesterday that he will continue his predecessor's hard-line policy on a settlement for the divided island republic.

Mr Vassiliou, a businessman who stood as a Communist-backed independent, was elected for a five-year term as President in a run-off poll on Sunday with 51.63 per cent of the vote despite being a newcomer to the political stage.

Mr Glafkos Clerides, the right-wing candidate, polled 48.37 per cent, while Mr Spyros Kyprianou, the outgoing President, was excluded in the first round a week earlier with just over 27 per cent.

Mr Vassiliou was backed in the second round by many Kyprianou voters and the small but equally hardline socialist party, Edek, which polled about 9 per cent in the first round.

In a first gesture of conciliation, Mr Vassiliou yesterday told the Turkish Cypriot minority community that they were considered "equal citizens" of the republic and called on them to work with the Greek Cypriots toward a settlement.

The island has been divided, and the Greek and Turkish Cypriot communities segregated, since 1974 when Turkey invaded and occupied the northern 37 per cent of Cyprus after a short-lived military coup backed by Athens.

However, Mr Vassiliou also repeated that an acceptable settlement had to ensure the complete withdrawal of Turkish troops and settlers from the island: the return to their homes of all Greek Cypriots made refugees in 1974; and the full freedom to move, settle and own property

These points, together with a requirement of strong international guarantees, constituted the backbone of Mr Kyprianou's settlement platform but were considered unacceptable by the Turkish Cypriots.

His position made Mr Kyprianou the *bête noire* of the UN and governments in London and Washington, which have been working to bring about a settlement. His departure was met with relief behind the scenes, and, coupled with Mr Vassiliou's tactical alliance with the Communist party, Akel, had raised fresh hopes of steering the Greek Cypriots toward a compromise.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	8	46	Malta	F	15	59	Rhodes	S	11	52
Algiers	S	16	61												
				Edinburgh	C	8	46	Manchester	C	7	45	Rio de J'o	R	30	86
Amsterdam	C	8	46	Faro	C	15	59	Manila	F	33	91	Rome	C	13	55
Athens	F	7	45	Florence	S	9	48	Melbourne	S	22	72	Salzburg	Sn	-1	30
Bahrain	F	19	66	Frankfurt	F	8	46	Mexico City	C	25	77	San Francisco	F	9	48
Bangkok	S	35	95	Funchal	F	17	63	Miami	C	23	73	Seoul	C	7	45
Barcelona	F	14	57	Geneva	S	5	41	Milan	S	10	50	Singapore	F	31	88
Beirut	R	12	54	Gibraltar	R	13	55	Montreal	F	-17	1	Stockholm	C	-3	27
Belfast	C	7	45	Glasgow	R	8	46	Moscow	S	-7	19	Strasbourg	S	8	46
Belgrade	C	4	39	Guernsey	S	8	46	Munich	C	4	39	Sydney	S	28	82
Berlin	C	7	45	Helsinki	F	-10	14	Nairobi	F	26	79	Taipei	F	26	79
Biarritz	S	17	63	H. Kong	C	18	64	Naples	S	11	52	Tangier	C	15	59
Bombay	S	29	84	Innsbruck	S	4	39	Nassau	C	31	88	Tel Aviv	C	13	55
Bordeaux	S	13	55	Inverness	C	6	43	New Delhi	S	23	73	Tenerife	F	20	68
Brussels	S	9	48	Islamabad	F	21	70	New York	S	-4	25	Tokyo	S	7	45
Budapest	F	4	39	Istanbul	F	1	34	Nice	S	13	55	Toronto	Sn	-9	16
B. Aires	F	32	90	Jakarta	F	31	88	Nicosia	R	11	52	Tunis	F	16	61
Cairo	C	19	66	Jersey	S	9	48	Oporto	C	14	57	Valencia	C	13	55
Cape Town	S	24	75	Jo'burg	F	25	77	Oslo	C	-2	28	Venice	F	6	43
Caracas	C	26	79	Lima	F	27	81	Paris	S	10	50	Vienna	S	6	43
Casablanca	F	20	68	Lisbon	C	14	57	Peking	S	6	43	Warsaw	Sn	1	34
Chicago	C	-2	28	London	C	10	50	Prague	R	3	37	Washington	S	-4	25
Cologne	C	7	45	Los Angeles	F	9	48	Reykjavik	S	-2	28	Zurich	S	4	39
Copenhagen	C	5	41	Luxembourg	F	5	41								
Corfu	S	11	52	Madrid	C	10	50								
Dallas	-	–	–	Majorca	F	17	63								
Dublin	C	6	43	Malaga	C	15	59								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Headway in Moscow

Continued from Page 1

"extremely important to make an early start" on the details of verification since this would be harder to achieve for strategic arms than for the treaty eliminating intermediate nuclear forces, signed at the Washington summit last December.

On space defences and the US Star Wars programme, the other major stumbling block to a strategic arms treaty, Mr Shultz said that "some misunderstandings" had been cleared. "We do not have all our problems solved, but we did make some headway," he said.

On Afghanistan, Mr Shultz said he had every reason to expect that Moscow would adhere to its timetable of withdrawing its troops within 10 months of a peace agreement.

But other crucial aspects of the withdrawal, including the phasing of the pull-out and the establishment of an interim coalition government, would have to await the resumption of UN-sponsored peace talks.

Mr Shultz said it would be "desirable" for an interim government to be established before the Soviet withdrawal to ensure that the 3m Afghan refugees in Pakistan could return home without fear of renewed factional violence.

L.F. Rothschild taken over

Continued from Page 1

responsible for establishing it as a world leader in the highly specialised field of underwriting of high technology issues, were ousted.

Yesterday's financial statement showed that the fourth quarter loss of $128.8m had reduced the company's net worth to $48m by the year-end, compared with $177m in September, 1987.

It was disclosed last week that Rothschild was threatened with default on some of its Swiss franc loan covenants, which required it to maintain a net worth of at least $125m.

Les Echos publication halted over bid delay

BY PAUL BETTS IN PARIS AND RAYMOND SNODDY IN LONDON

PUBLICATION OF Les Echos, the French financial daily newspaper, was halted last night by its management in protest at the French Government's decision to delay a ruling on an £88m ($149.6m) cash and shares offer for the newspaper by Pearson, the UK information and industrial group which publishes the Financial Times.

The bid was first announced last month.

Last night the issue was developing into a major political confrontation as Mrs Jacqueline Beytout, the controlling owner of Les Echos, sharply criticised the government decision. She accused Mr Edouard Balladur, the Finance Minister, of "hiding behind legal arguments to try to justify a purely political decision."

Her statement, attacking the Government in such terms, was seen as unprecedented.

Journalists at Les Echos issued a statement backing the decision not to publish.

Mrs Beytout said Mr Balladur's statement confirmed his intention to block "in defiance of the law and by any means" the sale of Les Echos to Pearson while refusing to make his decision official before the French presidential elections.

Lord Blakenham, Pearson chairman, said he would be seeking legal advice.

"I regret Mr Balladur's decision to delay approval of the Pearson merger with Les Echos. His ruling appears to conflict with the provision in articles 52-58 of the Treaty of Rome. Pearson is an EC company. More than 70 per cent of Pearson's shares are owned by EC nationals."

Lord Blakenham welcomed Mrs Beytout's determination of to pursue the matter and the confidence expressed in the Pearson management by the paper's journalists.

"The offer for Les Echos will be pursued," he said.

In a statement yesterday the Finance Ministry indicated that it would not allow the transfer of ownership of Les Echos to Pearson to go ahead automatically and that the deal would have to be approved by the French treasury.

Acquisitions of French companies by European Community groups are normally automatic. However, the Ministry expressed reservations about the "durable" Community character of Pearson.

Officials said the Government was concerned over the 20.5 per cent stake in Pearson which is held by Mr Rupert Murdoch, the Australian-born media magnate, and the risk of a possible takeover of the UK group.

The French press laws of August 1986 prevent any foreign group which is not an EC member from acquiring directly or indirectly a stake of more than 20 per cent in a French press group.

Pearson said more than 70 per cent of its stock was held by EC shareholders.

Morgan Grenfell star resigns

BY DAVID BARCHARD IN LONDON

MR GEORGE MAGAN, head of corporate finance at Morgan Grenfell, the UK merchant bank, is leaving to set up a specialist corporate financial advice company.

Mr Magan, aged 42, was regarded as one of the main stars at Morgan Grenfell. Although his departure, announced yesterday, has taken place in a friendly atmosphere it represents a serious blow for the bank, which lost its other corporate finance star, Mr Roger Seelig, after the Guinness affair in January last year.

Mr Magan's departure seems to have been motivated primarily by the desire to move away from the increasingly sedate world of integrated securities houses and to recreate the more adventurous traditional role of merchant banking in a new setting.

The new firm will be known as Hambro Magan and will specialize in advice on mergers and acquisitions and management buyouts.

It has been formed by a three- way partnership of Mr Magan and two directors of the investment company J.O. Hambro and Co – Mr Rupert Hambro and Mr James Hambro, who broke away from Hambros Bank in 1986, with Mr Alton F. Irby, III. Mr Rupert Hambro is also a director of the insurance brokers Sedgwick Group and Mr Irby is a former director of the Sedgwick Group.

Hambro Magan will add a fourth strand to J.O.Hambro's existing lines of activity: direct investment and turnaround operations, corporate communications, and private client portfolio management.

No details of the ownership of the new firm were released yesterday, other than that it was "well capitalized."

It will be based in Queen Anne's Gate, Westminister, London, alongside J.O.Hambro and Co and is expected to work closely with it.

It will concentrate on developing strong relationships with a limited number of clients. Apart from advising on mergers and acquisitions it will handle flotations and capital raising in the public and private markets and will be able to take stakes in transactions it initiates.

Morgan Grenfell has been given a commitment by Mr Magan that he will not take any members of its corporate finance department with him to the new firm.

However, his resignation was being compared yesterday with other departures of high fliers from securities houses to set up their own operations.

Cambridge likely to post sharp profits fall

By Philip Coggan in London

CAMBRIDGE Instrument, the UK scientific equipment company which was sold to the private sector by the National Enterprise Board in 1979, is likely to report more than halved pre-tax profits this year following problems in its semiconductor business and its US operations.

Yesterday's statement was the latest in a series of disappointing announcements by Cambridge.

The company rejoined the stock market last April after an absence of nearly 20 years.

Its shares dipped to 32p yesterday, before recovering to 40p, well behind the original 130p issue price.

The company is now capitalised at just £39m ($66.3m), compared with £127m when it joined the market.

Dr Terry Gooding, the Welsh nuclear physicist who was behind the consortium who bought the company from the NEB and is now executive chairman, said yesterday that there was "no justification" for the share price to be at its current levels.

"The company has a sound balance sheet, a good business and excellent long-term prospects."

However, analysts were marking down their profits forecasts to £3m-£3.5m for the year to March, against £7.7m last year and earlier estimates of £10.8m for the current year.

Cambridge said yesterday that delays in semiconductor orders would affect profits and could mean that the full year figure would be little higher than the interim £2.77m.

When the company floated, it was unable to split out semiconductor profits but analysts estimate that the business will lose £2m this year.

James Buchan looks at the background to a US consumer products group's decline

Allegheny's final downhill slide

A YEAR AGO the owners of Allegheny International, the once- proud Pittsburgh consumer products maker, received an offer of $500m or $24.60 a common share from First Boston to take the company private.

Holders of the company's preferred stock, including Drexel Burnham Lambert and Spear, Leeds & Kellogg, the big stock-exchange market maker, said the offer was not good enough and scotched it.

"They can't be too happy today," said Ms Katherine Stuits, an analyst at the rival brokerage of Dean Witter Reynolds.

Since then, Allegheny has suffered a record loss of $285m in just nine months and seen its stock fall to little more than $3.

On Saturday, the company said it would seek a bankruptcy reorganisation which could severely dilute the holdings of its common and preferred shareholders as new shares are issued in place of debt.

Saturday's filing under Chapter 11 of the Federal Bankruptcy Code is the last step in the company's downhill progress since a scandal over executive perks drove out Mr Robert Buckley, the company's chairman, in 1986.

But the real problem of the company, which started life as Allegheny Ludlum Steel in 1929, was the hornet's mare's nest of debt taken on in 1981 to finance the $543m purchase of Sunbeam, the household appliances maker.

Mr Oliver Travers, Mr Buckley's successor as chairman, won the admiration of his industry with his efforts to keep the company out of the hands of its creditors.

He sold off most of the company's industrial divisions, and even its famous Wilkinson Sword business, to cut the debt load and to focus the company round Sunbeam, which is profitable.

Sales fell from more than $2bn a year to just $650m in the nine months to September.

Debt came down to just $221m and the company was struggling to renegotiate the terms of its loans with 26 banks led by Mellon of Pittsburgh.

But it was no good. At the start of this month, Allegheny said it desperately needed $75m in working capital to carry it over a seasonal crunch in one of Sunbeam's businesses, Almet/Lawnlite, which makes garden furniture.

The company has to ship the furniture to dealers but receives no payment until the summer.

However, the Chapter 11 filing probably does not spell disaster for Allegheny. Although the group as a whole has a deficit of tangible net worth of $110m, Allegheny has filed separate plans of reorganisation for Sunbeam and Almet/Lawnlite, which it believes enjoy net worth of a some $400m.

"Sunbeam is very healthy," Mr Travers said. Both companies intended to repay their creditors in full.

The Chapter 11 filing has also opened the way for a new loan of $175m for Sunbeam from Chemical Bank and Marine Midland, who now become the preferred lenders in the event of liquidation.

The new funds will cover the working capital shortfall and provide a $100m safety net.

"The main thing that has changed this week over last week is that they have $175m more," said Ms Stults.

"Their situation is better, probably a lot better than last week."

South America sales increase helps Firestone

By Our Financial Staff

FIRESTONE TIRE & Rubber, the US tyre and plastic products group which is putting its tyre operation into a joint venture with Bridgestone of Japan, yesterday reported first-quarter earnings from continuing operations of $28m or 87 cents a share, compared with $20m or 52 cents a year ago.

The Chicago-based company said its first-quarter earnings were helped by improved margins and higher sales in its South American operations.

In addition, after-tax foreign currency gains of $6m were $5m above those for the year-ago quarter.

However, increased costs of raw materials led to lower profits from North American operations.

Sales for the latest quarter, which ended January 31, were $976m, up from $846m a year earlier.

Westinghouse expands

BY DAVID GOODHART IN BONN

WESTINGHOUSE ELECTRIC of the US, and AEG, the West German electrical group owned by Daimler Benz, yesterday confirmed their agreement to combine their transport businesses in a joint venture.

AEG will take 60 per cent and Westinghouse 40 per cent of the company, to be called AEG-Westinghouse Transport systems. It will be based in West Berlin.

The venture will combine AEG's facilities in West Berlin, Frankfurt and Bretten, in West Germany, and Los Angeles, with Westinghouse's operation in West Mifflin in the US. But the joint venture will maintain the two companies' transport activities under the existing management and employee organisations. Terms were not disclosed.

Westinghouse Transportation, with annual sales of about $100m and 850 employees, has been seeking a joint venture for some time.

Foodmaker to buy Chi-Chi's

BY OUR FINANCIAL STAFF

FOODMAKER, which runs Jack in the Box fast food restaurants, mainly in the western and south-western US, has agreed to acquire Chi-Chi's, a 200-store Mexican food restaurant chain based in Louisville, Kentucky, for about $230m, or $10.15 a share.

Foodmaker, acquired by an investors' group from Ralston Purina in 1985 and taken public in February 1987, said the acquisition would be financed initially through short-term borrowings from a group of banks led by Wells Fargo Bank.

The company, based in San Diego, California, said it believed cash flow from Chi-Chi's would be enough to fund the acquisition.

GM sells 51% holding in Venezuela unit

By Joseph Mann in Caracas

GENERAL MOTORS, the US car group, has agreed to sell 51 per cent of its motor vehicle assembly operations in Venezuela to local investors for an estimated $13.8m (200m bolivars).

The buyer is the Mendoza Group, a diversified group of companies with investments in automobile assembly and distribution, banking, agriculture, cement and mining. The group is controlled by the Mendoza family, one of the country's wealthiest.

GM, which has operated in Venezuela for 40 years, is one of the country's largest foreign investors. In 1987 the American company was the market leader in motor vehicle sales for the eighth consecutive year.

It sold 38,042 units and obtained 34 per cent of the national market, in competition with Ford, Fiat, Renault, Toyota and Jeep.

INTL. COMPANIES AND FINANCE

Brown Boveri to resume payout

BY SARA WEBB IN STOCKHOLM

ASEA OF Sweden and Brown Boveri of Switzerland, the two electrical engineering concerns which merged on January 1, yesterday released independent profits for 1987, with Brown Boveri coming close to doubling its profits and Asea increasing earnings by 11 per cent.

Brown Boveri said the improvement in its operating results meant that it could resume dividend payments after a lapse of two years. It is proposing SFr30 for A shares and SFr6 for B shares.

Brown Boveri's profit increased by 93.75 per cent to SFr186m ($133.8m). However, Mr Fritz Leutwiler, chairman of Brown Boveri, said profitability was still "unacceptably low," adding that the merger with Asea would give the group new opportunities to implement intensive restructuring measures.

Group sales fell by 25 per cent to SFr10.37bn in 1987. This compared with SFr13.83bn the previous year when sales had been boosted by the building of a nuclear power plant for West Germany.

Excluding the nuclear power plant, sales decreased by 1.7 per cent, which the group said was accounted for by currency swings.

Asea increased profits (after financial income and expenses) to about SKr2.7bn ($445.5m). It plans to raise its dividend from SKr7 to SKr8 a share.

The group, which has been hit by a recent white-collar strike in Sweden, said the financial figures released yesterday were only approximate as the strike had meant delays in preparing the reports. Further details are expected next month.

Earnings (after financial income and expense) in the fourth quarter showed a strong increase to SKr900m, compared with SKr581m in the corresponding period of 1986. The strongest increases occurred in the power transmission, power distribution and industrial equipment segments.

Group order bookings rose by about 18 per cent to SKr56bn, while group invoiced sales increased by about 11.5 per cent to SKr52bn.

Usinor cuts losses to FFr1bn

BY GEORGE GRAHAM IN PARIS

USINOR SACILOR, the French state-owned steel group, reduced operating losses by two thirds last year to FFr1.16bn ($201.3m), the third successive year in which it has improved its results.

Fierce competition and price cutting by between 12 and 13 per cent kept the group heavily in the red in its bar and rod divisions. This offset a substantial increase in profits in its sheet steel department where increased demand, especially from the car industry, helped maintain prices and volume.

Mr Francis Mer, president, said the fall in steel prices across all product ranges had cost Usinor about FFr3bn in 1987. Although many raw material costs had also fallen, the net effect was to reduce operating results by FFr1.7bn.

Unimetal, Usinor's carbon steel bar and rod subsidiary, lost FFr1.38bn or 15.1 per cent of its 1987 sales, while the group lost FFr400m on special steel long products and another FFr130m on Ugine Savoie, its subsidiary.

Sollac, the sheet division, nearly quadrupled profits to FFr1.05bn, however, while in stainless sheet the group turned round from a loss of FFr165m in 1986 to a FFr480m profit last year.

Usinor reduced its debt by about FFr4bn to FFr30bn in 1987, thus cutting financial expenses by 11 per cent to FFr3.15bn – still amounting to 4.7 per cent of turnover.

The group will have to make heavy restructuring provisions this year, but expects its net losses for the year to be about half the FFr12.5bn recorded in 1986.

Mr Mer said further job cuts would be needed if the group was to build a competitive position in the world market.

Noting that Usinor had already embarked on some small cross-border co-operative agreements, for example with Luxembourg's Arbed in the sheet piling sector, he said he expected some more ambitious agreements to be realised this year.

Zanussi takes over Alpen Inox

By John Wyles in Rome

ELECTROLUX-ZANUSSI, the Swedish-controlled appliance group, yesterday further strengthened its hold on the European market for catering and industrial refrigeration equipment by taking over Alpen Inox of Italy.

The company is a near neighbour of Zanussi in the Pordenone province of the Friuli region. With 238 employees in three manufacturing plants and a turnover last year of L37.4bn ($29.7m), the company will join the Zanussi Grande Impianti section of the Electrolux group.

Zanussi refused last night to reveal the purchase price, but the company claimed that, as a result of the takeover, Electrolux would have well over 50 per cent of the European market for specialised catering and refigerating equipment.

An official said the company's sales in this sector should reach L350bn in 1988, having risen 23.7 per cent to L230bn last year when catering equipment sales climbed by 27 per cent and vending machines by 43 per cent.

Alpen Inox has been controlled by the Antonussi family which has a 70 per cent stake and whose head, Mr Agusto Antonussi, is the company's president and managing director.

The company has majority control of La Bergerand, a small French equipment manufacturer.

Hoek Loos and Aga agree gas plant venture

By Our Stockholm Staff

AGA, THE Swedish industrial gas group, said yesterday it is setting up a plant in Rotterdam to increase its European production capacity for carbon dioxide gas by between 15 and 20 per cent.

Together with Hoek Loos, the Dutch industrial gas company, Aga is building a plant for the purification and liquefaction of carbon dioxide. Total investment in the plant will be Fl 24m ($12.5m), to be split equally between the two companies.

The plant is due to start operating at the end of 1989, producing 100,000 tons of carbon dioxide annually. It will use raw material supplied by Kemira, the Finnish fertiliser group.

Chemicals side helps lift Dyno Industrier income

BY KAREN FOSSLI IN OSLO

DYNO INDUSTRIER, the Norwegian diversified industrial group, has reported a 32 per cent increase in profits before extraordinary items to NKr220m ($34.2m) for 1987, compared with NKr167m

The chemicals division showed a considerable improvement, while explosives and plastics also increased profits. Sales of explosives declined slightly due to the weakness of the dollar.

Heavy increases in the costs of raw materials are causing uncertainty about prospects for the chemicals and plastics sectors in 1988, although favourable development is anticipated.

Profit per share reached NKr8.90 for 1987, compared with NKr6.20. The dividend is to be NKr3.20 a share.

● Simrad, the submarine surveillance equipment supplier, earned profits before extraordinary items of NKr26.2m in 1987 on a turnover of NKr334m, compared with NK12.5m on a turnover of NKr217m.

The increase was due chiefly to the purchase of Kongsberg Albatross, a supplier of positioning systems for vessels, successful cost control, and higher sales by nine subsidiaries.

● SDS, the biggest Danish savings bank, made a net profit of DKr381m ($58m) last year, compared with a DKr585m loss in 1986. The savings bank reported earnings before provisions of DKr1.07bn, virtually unchanged from 1986.

Danish shipping group splashes out

Hilary Barnes reports on plans for growth at Moller-Maersk

DENMARK'S Moller-Maersk shipping group is in an expansive mood; in recent months it has taken investment decisions estimated to involve about $2.5bn.

The Maersk line, which is one of the world's biggest private fleets, consists of well over 100 vessels engaged in everything from tank and liner trade to offshore drilling and supply. Moller, the shipbuilding arm of the group, is also involved in North Sea oil and gas production, air transport, manufacturing and retailing.

The group has on order 18 new ships, including nine liner vessels with a capacity to transport 3,500 TEU (20-foot equivalent unit) containers each. The ships are being built at Moller's own yard in Denmark and the first to be delivered, in April, will go into service in the North Atlantic liner service.

The move marks Maersk's return to the North Atlantic liner trade after an absence of more than 30 years. It expects to introduce three vessels into this service in 1988, with others following.

With about 70,000 containers under its control, Maersk probably ranks as the second largest container-carrier in the world after Taiwan's Evergreen, with Sea-Land in close pursuit. But the Danish line is taking delivery of 20,000 new containers ordered from South Korea.

To support a door-to-door delivery concept, Maersk has developed European road-and-rail transport services, not only to meet expected demand from the newly inaugurated North Atlantic service, but also for its expanding Norfolk Line and Brit Line services from the UK to the Continent and Denmark.

The intensely-competitive North Atlantic liner trade has proved the ruin of many shipping companies in the past. But Maersk has a high reputation for reliability and service in both the US – where it has extensive interests – and in the Far East and Europe. Group companies appear to be in good shape financially.

Just how the Maersk companies have come through the past 15 years of almost continuous crisis in world shipping, caused by excess tonnage in first one sector and then another, with a considerably larger fleet and financially still strong, is not a secret which the group is rushing to reveal.

But if asked, Mr Maersk McKinney Moller, 73, son of the founder of the group and still very much in charge of what is effectively Denmark's biggest business, replies that much is owed to "good housekeeping."

To make the point he says his own modestly-furnished office and the adjacent corridor is the only area which is carpeted in the handsome, but far from opulent, headquarters office building on the Copenhagen waterfront.

The group might soon draw heavily on its cost-control expertise.

In December, Maersk acquired six anchor-handling vessels from Canada and is negotiating to acquire a tanker fleet from Spain. Three 250,000 deadweight tons (dwt) tankers have been ordered for delivery in 1988. Two product tankers, two anchor handling vessels and two gas tankers are also on order.

Recently, there have also been large investments in oil and gas extraction.

Moller is the operating company in the North Sea's Danish sector for the Danish Underground Consortium – the other members are Texaco and Shell – from which, in 1987, it produced about 4.6m tonnes of oil and 2.5bn cubic metres of gas. A DKr5bn ($768m) investment programme for the development of two small gas fields is planned, with production starting in the early 1990s.

It is sometimes said that oil and gas production finances the Maersk shipping interests, but this is incorrect.

The Moller oil and gas partnership has only made a profit in the past three years, and there is a long way to go before the investments made in the North Sea since 1962 can be fully repaid.

INTL. COMPANIES AND FINANCE

Ansett to lift stake in NZ unit

BY OUR FINANCIAL STAFF

ANSETT Transport Industries, Australia's private domestic carrier, is to increase its half share in Ansett New Zealand, which began operating internal routes there last July and needs funds for expansion.

Mr Roger Douglas, the New Zealand Finance Minister, yesterday lifted shareholding restrictions on the airline in the face of protests from Air New Zealand, the state-controlled flag carrier.

This represents an about-face for the Government, which originally decided to restrict Ansett to a 50 per cent holding as a bargaining tool against the Australian authorities. Foreign airlines are not allowed to carry passengers on Australian domestic routes.

Ansett is itself owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the Australian transport group. Ansett New Zealand *has as its two* other shareholders Sir Ron Brierley's Brierley Investments (BIL) with 27.5 per cent and Newmans Group, a tourism company which holds the remaining 22.5 per cent.

Both support the increased participation by Ansett, which has given the Wellington Government an undertaking that, in return for its latest clearance to acquire majority or even full control if it wished, it will return to the 50 per cent level if one or more suitable New Zealand parties wish to take up the balance in the next two years.

Mr Douglas said the cabinet had lifted shareholding restrictions on the airline to enable Ansett New Zealand to enlarge its operational network and expand its fleet of *aircraft*.

In a joint statement with Mr Bill Jeffries, Civil Aviation Minister, he added that Ansett's willingness to invest additional equity funds – the size of these is yet unspecified – demonstrated its confidence in the long-term future of the New Zealand economy and the tourism industry.

"As a result of the introduction of Ansett New Zealand there has been competition in domestic main trunk air travel for the first time ever. Competition has resulted in both Ansett and Air New Zealand offering better services to customers and lower air fares."

Air New Zealand yesterday issued a statement which described the decision as "almost unbelievable." It added: "The Government made it clear *when it created* this unique situation of a foreign company acquiring 50 per cent of a New Zealand airline that it would withhold the second 50 per cent until New Zealand interests had access to the Australian market."

That bargaining leverage had now been given away while the Australian carrier, with substantial benefits of internal protection and cross-subsidisation, was being *set free to* attack another airline's much smaller home market.

Last week Air New Zealand reported flat net profits of NZ$21.9m (US$14.5m) for the first half to last September, the period which marked the arrival of Ansett New Zealand.

Rey buys control of Omnicorp

MR WERNER REY, the Swiss financier and industrialist, has acquired a controlling stake in Omnicorp Investments, a New Zealand travel company, writes John Wicks in Zurich.

***Mr Rey intends the takeover primarily as a way to strengthen his activities in* merchant banking, in which Omnicorp has also been active. The stake is being bought by his own Omni Holding, the similarity of whose name is coincidental.**

***The purchase gives him a* role in the British-based International Leisure Group, which operates Air Europe and Intasun. Omnicorp is a minority partner *in the group which* took Mr Harry Goodman's ILG private last year.**

Our Financial Staff adds: the stake of 54 per cent was sold by Chase Corporation, a New Zealand property and investment company, for a reported NZ$83.8m (US$55.6m). Omnicorp expanded rapidly from 1986 but was hit by the stock market collapse last October and signalled in late January a halt to its international growth.

Saudi joint venture bank results vary

BY OUR FINANCIAL STAFF

SAUDI AMERICAN BANK (Samba), the 40 per cent-owned Riyadh affiliate of Citicorp, boosted net profits by 11.6 per cent last year to SR90.1m ($24m) from SR80.7m after trimming loan loss provisions to SR166.8m from SR180.3m.

In contrast, Saudi French Bank, the 40 per cent associate *of Banque Indosuez, suffered a* nearly one-third drop in net profit to SR64.4m from SR94.9m. This was despite sharply lower provisions of SR88.2m against SR148.0m.

The two banks, the remainder of whose shares are owned by Saudi nationals, have just been given approval by the Saudi Arabian Monetary Agency to double their share capital by *drawing from retained earnings* and other reserves.

Samba, which is the largest of Saudi Arabia's nine joint venture commercial banks, expanded strongly during the year – *as reflected in year-end* assets of SR19.7bn compared with SR15.3bn. Loans and advances grew by 28.3 per cent to just over SR5bn while deposits were 24.2 per cent higher at SR15.4bn.

However, shareholders' funds were given at SR1.4bn, down from SR1.5bn. The drop was attributed largely to a fall in retained earnings.

Samba also noted that the bank reduced expenditure by about 11 per cent. Operating expenses, mostly as a result of a reduced salary bill, dropped from SR412.6m to SR363.9m.

For Saudi French Bank, assets were nearly SR17bn by December compared with SR14.9bn.

Bid acceptances top 50% but ACI board fights on

BY BRUCE JAQUES IN SYDNEY

THE BOARD of ACI International, the Melbourne glass and packaging producer, is fighting on despite a declaration yesterday that bidders had more than 50 per cent of the company.

BTR Nylex, the quoted local offshoot of Britain's BTR, act*ing together with the privately*-owned Pratt Group, won acceptances from key shareholders after lifting their offer for ACI on Friday to A$1.6bn (US$1.15bn) or A$4.10 a share.

However Mr Brian Scott, ACI chairman, attacked as premature the acceptance of the bid by the AMP Society, the country's leading institution, and Westfield Capital Corporation, an investment company.

They held almost 14 per cent and 20 per cent respectively, and were thus instrumental in delivering the bidders their claimed 50.5 per cent.

Early acceptance marked a radical departure for the nor*mally conservative AMP which* is renowned for sitting bids out until the last possible moment. But Mr Ray Greenshields, the group's portfolio manager, said the society accepted the bid so that other shareholders would be guaranteed the higher offer.

The AMP has shareholdings, often approaching 20 per cent, in a number of leading Australian companies. Until now, it been regarded as a passive, even friendly, shareholder. That *may now have* changed.

Terms of the bid, improved from the previous A$4 a share, *also now allow shareholders* to keep ACI's proposed 8.5 cent a share interim dividend.

Mr Scott said the latest offer remains inaedquate. "It does not fully reflect the value of ACI's strong balance sheet, commanding market position and outstanding growth prospects," he said.

"Despite the premature acceptance by two major shareholders, the board will continue its efforts to achieve a higher price for ACI shareholders. ACI directors therefore recommend that shareholders do not accept the Pratt-BTR Nylex offer for their shares at this time."

There was speculation last night that ACI would resort to the courts, alleging an association or arrangement between the bidders and the accepting shareholders. But this would risk a flood of acceptances for the bid. ACI shares closed steady at A$4 in light Sydney turnover yesterday.

Attributable loss at North Kalgurli

By Our Financial Staff

COMPANIES in Mr Alan Bond's Western Australian gold mining empire yesterday reported their last interim results before their operations are rationalised to create a "super pit."

North Kalgurli Mines more than doubled net operating profits in the 28 weeks to January 12 to A$19.62m (US$14.1m) compared with A$8.20m. Revenues jumped to A$88.6m from A$40.4m.

The earnings came, however, before an extraordinary charge of A$229.2m which left an attributable loss of A$200.2m against A$7.3m profits. The write-off was on goodwill and a possible reduction in mining tenement values.

Gold Mines of Kalgoorlie, its 51.5 per cent subsidiary made no such provision and emerged with net earnings slightly lower at A$8.38m against A$8.70m. Revenues rose to A$11.6m from just under A$9m.

Two further issues in Eurosterling sector

BY CLARE PEARSON

EARLY STRENGTH in the gilt market prompted **General Motors Acceptance Corporation UK Finance** and **BP Capital**, to launch five-year Eurosterling bonds yesterday totalling £160m.

The deals came against a background of steady Continental buying of shorter-dated Eurosterling paper which had led some recently issued bonds, such as a five-year deal for **British Telecom**, to trade at levels to provide yields equivalent to those of UK government securities.

An easing in the gilt market led both yesterday's issues to close at prices outside their total fees. Since they were both for well-known corporate names, however, they were expected to be absorbed easily by European investors.

BP Capital's £100m 9¾ per cent bond, and GMAC UK Finance's £60m deal, were launched on exactly the same terms although GMAC's deal has a 5¼-year life, and short first coupon period. BP's bond was led by Samuel Montagu while Baring Brothers brought GMAC's issue.

At the close, both were bid at prices to give yield margins of 26 basis points over the comparable gilt – broadly in line with their initial spreads. But both were quoted at around less 2.15 bid, outside their 1⅞ per cent fees, reflecting the fall in the gilt market.

Last Friday's £75m five-year bond for ICI was also providing a yield margin of about 26 basis points, although this was more than 10 basis points wider than its original yield differential.

In Eurodollars, **Province of Quebec** followed the trend set last week by the **European Investment Bank** and the **City of Oslo** and launched an issue into the 10-year maturity area.

Quebec's $200m issue was viewed with indifference by dealers, who said investors were still reluctant to buy longer-dated Eurodollar bonds except for the very best quality names. The 9 per cent bond, priced at 100½, was bid at around less 2¼, ⅛ point outside its total fees. It was lead-managed by Credit Suisse First Boston.

INTERNATIONAL BONDS

Reluctance by retail investors to sell shorter-dated paper has made most issues theoretically expensive, relative to the US Treasury bond market. As an extreme case, a five-year issue for **IBM** was providing a yield no higher than that on the comparable Treasury yesterday, dealers noted.

Daiwa Europe led an 8⅞ per cent $30m five-year bond for **Orient Leasing**, priced at 101¾, which looked likely to be largely asset-swapped.

Yamaichi International (Europe) announced a $50m equity warrants bond for **Taiyo Sanso**, the Japanese industrial gas producer, with a par pricing and indicated 4⅞ per cent coupon.

Slight improvements in US Treasury bond prices encouraged a gain of up to 20 basis points in longer-dated D-Mark domestic bonds, although dealing was broadly directionless. D-Mark Eurobonds were largely unchanged in low turnover.

Dealers in Switzerland noted a slow-down in demand for primary market paper. In the secondary market, prices eased by about ¼ point, in response to slight increases in interbank interest rates.

Credit Suisse announced two issues late in the day. These were a 4 per cent SFr300m five-year bond for **Denmark**, priced at 101, and a 10-year SFr150m issue for **Fletcher Challenge Finance**, a subsidiary of the New Zealand conglomerate. This, the borrower's first public issue in Switzerland, bore a 4⅞ per cent coupon and was priced at 101.

HandelsBank NatWest announced a SFr120m 10-year issue for **Oesterreichische Postsparkasse**, guaranteed by Austria. The 4½ per cent bond, whose terms looked in line with the primary market, was priced at 100½. It was bid at less 1⅞.

Swiss Bank Corporation cut the coupon on a five-year SFr70m convertible for **Nippon Steel Chemical** to ¾ per cent, from an indicated 1⅛ per cent, and increased the put price on the bond.

● **Daiwa Europe** said last night that the Japanese MoF had given it permission to make the first issue of warrants on Japanese government bonds. It will start with an issue of 200 calls and 200 puts each on Y100m of the No 105 government bond, a five per cent issue maturing in December 1997. Details will be set on March 1.

Amsterdam dealers snub Austria deal

DEALERS on the Amsterdam bourse boycotted a Fl 250m Eurobond for Austria yesterday because its Luxembourg listing reduced their income, **Reuter reports from Amsterdam.**

C J Schoo, a leading *hoekman* (floor specialist) firm handling Eurobonds, said talks were being held about the bond, lead-managed by Credit Suisse First Boston Nederland. Pending the outcome, the firm would not deal in it. Amsterdam firms have complained that the Luxembourg listing deprives them of a ⅛ per cent subscription fee and has robbed the bourse of a listing fee.

Many large Dutch institutional investors such as ABP, the civil service pension fund, are not allowed to invest in foreign-listed bonds.

Mr Tyo van Marle, head of CSFB Nederland, said the Austrian bond was listed in Luxembourg because costs there were lower. Bond dealers see CSFB's decision to list the issue in Luxembourg as a way of putting pressure on Amsterdam to cut its listing costs.

One Amsterdam *hoekman* said: "There have been Eurobond listings in Amsterdam for many years and now suddenly the costs are unbearable for CSFB. What's Fl 135,000 on Fl 200m?"

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96¼	96⅝	+0¼	+0⅝	8.61
All Nippon Air 9⅞ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	9.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅞	102⅞	+0⅛	+0⅛	4.84
Belgium 4⅝ 94	45	97	97⅞	+0⅛	+0⅛	5.14
E.I.B. 4⅝ 94	40	97⅞	98	+0⅛	+0⅞	5.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Haig Simonian reports on a plan to offer financial services Europe-wide

American Express plays its German card

AMERICAN EXPRESS cardholders in West Germany will find more than their usual bills dropping through the letterbox this month.

They are to be guinea pigs for the new range of financial services the US conglomerate plans gradually to introduce to all its 2m cardholders in Continental Europe in coming months.

If it succeeds, the scheme for a Europe-wide financial services network could be an early beneficiary of the European Community's plan for a free market in financial services in 1992. In time, the venture may even represent the embryo of a Europe-wide money market account.

More immediately, however, the experiment represents a small but significant threat to the hitherto cosy world of Germany's retail deposit-taking banks. So much so that some senior domestic bankers have reacted ferociously to the venture, in spite of the fact that is limited to American Express's 600,000 German cardholders.

The first stage, being launched this month, gives cardholders the chance not only to charge their purchases, but also to deposit money with American Express.

Under German law, that requires a banking licence. "The options were to develop the existing American Express Bank, co-operate with a German bank or buy a small bank ourselves," explains Mr Jürgen Aumüller, president of American Express' Travel Related Services (TRS) division for Europe, the Middle East and Africa.

American Express had tried unsuccessfully for years to establish a co-operative relationship with a domestic bank, whereby it would bring in the cardholders and the local bank would provide its distribution network, says Mr Aumüller.

Now the group has decided to go it alone. Cardholders are being invited to deposit money with Bankhaus American Express, the bank set up by the company following its purchase of a 80 per cent stake in Deutsche Transportbank in October 1986.

The bank, a little known institution with total assets at the time of DM260m ($152m), was founded by German heavy freight carriers largely to provide the industry with instalment loans. By the end of last year, American Express had bought the remaining 20 per cent and renamed the bank.

It is now the flagship for the company's Continental European ambitions in financial services. "We're going to become a DM5bn bank in the next three to four years," says Mr Richard Surface, the executive behind the project.

The appeal to German depositors is simple. American Express is paying 3.25 per cent interest against the 2 per cent for standard time deposits. Moreover, the money is available instantly, compared with the three month's notice required for any withdrawal above the once-monthly DM2,000 allowed at most German banks. Though other types of savings account offer higher rates, investors are penalised with even longer notice periods.

There seems to be plenty of demand for American Express's new product. Test marketing begun last September to over 600 cardholders brought in an average deposit of almost DM80,000 each. One client transferred DM2.3m to her new account.

But deposit taking is only one of the family of "basic products" being offered. American Express will also lend money to cardholders at what it claims are lower rates and with greater flexibility than German commercial banks.

Not surprisingly, the company is emphasing the service and security associated with its familiar name almost as strongly as its competitive rates in marketing to potential German depositors.

It is also trying to exploit the trend towards less exclusive banking relationships. Some German retail finance houses like KKB (owned by Citibank) have succeeded partly because many customers prefer not to do all their banking business with one institution. When it comes to borrowing money in particular, many Germans go elsewhere.

The American Express experiment represents a small but significant threat to the hitherto cosy world of Germany's retail deposit-taking banks. It is probably aware that to throw down too obvious a gauntlet would not be in its own interest.

American Express' product range will partly be tailored to each European market. While deposit products are likely to be of greatest interest in Germany, where there is over DM600bn in existing savings accounts and a high propensity to save, a scheme for UK cardholders is concentrating more on loans.

If the venture works, more services will come on stream. Possibilities include insurance – especially life insurance for higher-income cardholders – and mortgages and instalment loans. In time, an ability to deal in shares or invest in funds might also be developed.

Further variations could be foreign currency accounts, depending on cardholders' national banking regulations. And in Germany, there is the chance the venture could develop into a full-scale money market account, once the Bundesbank drops its present strong opposition to such accounts.

Mr Aumüller is cagey when it comes to how the bank intends to use depositors' cash. Instead, he stresses the savings Bankhaus American Express will have on the cost side to explain how it can offer such competitive rates.

Business will be done over the telephone, so the bank, which has about 60 employees at present, needs no branches. Staff numbers are likely to rise a little as business develops, but Mr Surface sees the biggest investment going into systems.

The scheme also has much lower acquisition costs than most alternatives, he claims. Potential customers – American Express cardholders – are already known to the company and therefore do not have to be expensively acquired. Marketing will be limited to mail shots and advertising in cardholders' magazines.

Moreover, the company has the great advantage of already having the records of its cardholders' credit history. Not only are potential bad risks to some extent sifted out by the card application process, but the company also knows their subsequent credit behaviour.

A comparison of costs for acquiring insurance business – which American Express would carry out through a joint venture with an established insurer – suggests that acquisition costs could be as low as DM400, and possibly even DM300 in time, against some DM4,000 when going through a conventional agent.

It remains to be seen how Germany's powerful commercial banks react to the new venture once it is fully established. American Express itself is clearly playing down the competitive challenge by limiting its service to cardholders and by advertising only in house.

"We don't want to develop a universal banking relationship," say Mr Aumüller, "or break into clients' primary banking relationship." The plan is to offer the consumer products which are of particular interest, "but without the bricks and mortar."

American Express is probably aware that to throw down too obvious a gauntlet would not be in its own interest. Likewise, the banks may choose to look the other way, in spite of some of their opening bluster. The number of cardholders is limited, and not all may take up the idea.

But should the scheme really take off and perceptibly begin to dent banks' deposits, or to receive such publicity as to draw attention to the banks' lower deposit rates, some may react. Discreet pressure or, more publicly, reviewing their willingness to market American Express travellers' cheques, are two obvious avenues.

Any threat to the lucrative travellers' cheque business would not go down well at American Express' TRS division, though executives say they are not worried and claim that bank customers often specifically request their cheques.

It remains to be seen how the new scheme develops. But, in the short run at least, it could be in the interests of both American Express and Germany's biggest banks for Bankhaus American Express to remain a discreet success.

Low price set for Caisse Nationale privatisation

By George Graham in Paris

THE REGIONAL banks which make up Crédit Agricole, France's largest banking group, have been asked to pay FFr7bn ($1.21bn) to buy control of their central financial institution from the state.

Mr Edouard Balladur, the French Finance Minister – never a strong proponent of the "privatisation" or "mutualisation" of the Crédit Agricole – has fixed the price for the Caisse Nationale at the lowest value permitted by the privatisation commission and at 13.5 per cent below its estimated net asset value.

The prospective sale of the Caisse Nationale, a state-owned company which acts as central banker to Crédit Agricole in a strictly regulated relationship with the 94 regional co-operatives that make up the group, has aroused fierce political passions.

Opponents of the sale have accused Mr François Guillaume, the Agriculture Minister and former leader of the powerful farmers' union, of pushing the operation through for political ends. Meanwhile the Finance Ministry has been unwilling to let Crédit Agricole move out of its control unless it gives up some of its privileges.

Although Crédit Agricole has moved away from its rural base to become France's largest consumer bank, with a quarter of all deposits and over a third of the home loan market, its future remains a sensitive matter for the powerful agricultural lobby.

Of its 14m customers, only 4.5m qualify as members of the regional co-operatives. Yet local boards are heavily dominated by representatives of the farming and food industries.

By contrast, the Caisse Nationale, especially in its top ranks, is dominated by senior executives transferred from the civil service.

Besides the cultural gap which has sometimes appeared between the centre and the regional co-operatives, the bank has also experienced a growing financial conflict. The two poles have begun to compete against one another and the regional banks have accused the Caisse Centrale of making inroads into their business.

At the federation of regional Crédits Agricoles, officials hope that the sale of the Caisse Centrale will resolve the conflict and allow the group to develop without these rivalries.

Credit rating agencies, meanwhile, have downgraded Crédit Agricole debt from AAA to AA, feeling that the removal of the state's guarantee from the Caisse Centrale, coupled with the cash drain on the regions created by the sale, diminishes the group's solidity.

Christiania Bank reduces staff by 64

BY KAREN FOSSLI IN OSLO

CHRISTIANIA BANK, Norway's second largest banking group, is cutting staff by a total of 64 in London, Stockholm and New York as part of a continuing effort to cut costs. The bank made heavy losses in 1987 and was forced to pass its dividend.

The staff retrenchment was recommended by Spicer and Oppenheim, a UK-based firm of consultants, which also called for the bank to concentrate on "core businesses." Spicer and Oppenheim was engaged last year by Christiania to identify opportunities to enhance profits and reduce costs.

In London, the staff has been reduced from 90 to 53, in Stockholm from 35 to 23, and in New York from 43 to 28. Reorganisation has already seen the sale in Norway of Norges Kort, a credit card company, K-Venture, a venture capital operation, Lefac, a leasing subsidiary, and the bank's real estate management company.

Christiania said that, although foreign exchange trading operations were to be shut in foreign subsidiaries, it was too early to tell what staff changes would be made to domestic operations.

Financial Times Tuesday February 23 1988

UK COMPANY NEWS

Rolls Royce sales help lift Vickers profits 16%

BY DAVID WALLER

STRONG DEMAND for Rolls Royce motor cars helped Vickers, the industrial group with interests ranging from baby incubators to luxury cars, achieve a 16 per cent rise in pre-tax profits to £62.6m for 1987.

In aggregate, yesterday's figures were only marginally ahead of City forecasts, but evidence that Rolls Royce sales, had held up despite October's stock-market crash prompted the shares to add 9½p to close at 166p.

Operating profits at Rolls Royce advanced by 26 per cent to £22m on turnover up just 6 per cent to £186.2m. This represented an increase in margins from 9.9% to 11.8%. Sir David Plastow, group chairman, attributed the lift in margins to better productivity and aggressive pricing tactics.

"The crash had little real impact on our market," he said, suggesting that the purchasing-power of would-be owners of Rolls Royces had not been dented by Black Monday and its aftermath. He anticipated buoyant demand for the Bentley Turbo R, a top-of-the range model due to be launched later this year.

The company is aiming to reduce its dependence on the US, Sir David said. Of the 2784 cars sold last year, 1208 went to the US, 842 to the UK and 724 to the rest of the world. US sales grew by 5 per cent.

Sir David Plastow – "crash had little real impact"

With US sales amounting to £200m out of a total for the group of £780.1m last year, the declining dollar cut pre-tax profits by between £1m and £1.5m on translation into sterling.

If the crash had negligible effect on car sales, it was blamed for a contraction in demand for US sales of medical and scientific equipment. Teca, a subsidiary of the electromyography company Medelec, suffered particularly badly.

Nevertheless, Air-Shields, the US neo-natal equipment company bought in September 1986 successfully countered lower demand by cutting costs. As a whole, the medical equipment division made £6m against £4.7m in 1986, when Air-Shields made only a two-month contribution to profits.

Profits from defence and aerospace increased by 38 per cent to £12.7m on turnover up £54.1m to £87.4m, reflecting the purchase of the Leeds Royal Ordnance tank facility at the end of 1986.

At Howson-Algraphy Printing Plates, profits advanced £1.2m to £18.7m on turnover up £19.9m to £155.3m. The contribution from Marine Engineering rose from £2.3m to £3.4m.

Comforto Vickers, the business furniture company which Vickers put up for sale in January this year, reported profits down £1.3m to £5.1m. Sir David said that over 50 companies had expressed interest in buying the company.

The interest charge rose to £8.3m against £5.9m in 1986, due to the costs of financing the acquisition of the Royal Ordnance facility and KaMeWa, a Swedish propellor company, during 1986.

Tax was £17.3m (£14.7m), and earnings per shares worked out at 17.4p, a 7 per cent advance. The board is recommending a final gross dividend of 5.5p, making 9.2p for the year against 8.4p in 1986.

See Lex

Booker buys Danish seeds

BY NIKKI TAIT

Booker, the agriproducts, food and health products group, announced yesterday that it has acquired a controlling interest in Daehnfeldt, a leading Danish seed company, and is making a bid for the remaining shares. The terms of the open offer – equivalent to the terms on which Booker acquired its interest – value the quoted Danish company at DKr 174.2m (£15.3m).

Booker has bought its stake via the purchase of a 93 per cent interest in Defta A/S, a privately-owned investment holding company. Defta's principal asset is a 33.1 per cent equity stake in Daehnfeldt and 58.2 per cent of the company's voting rights.

Booker is now offering to acquire the remaining Daehnfeldt shares at DKr 775 for every 100 "A" shares and DKr 525 for every 100 "B" shares – terms which are being recommended by the Danish group's board. Booker says it will fund the offer from existing cash resources. Daehnfeldt shares were suspended earlier this month at DKr 600 and DKr 400 respectively.

Daehnfeldt was founded in the 19th century and its business spans the breeding, production and marketing of agricultural and horticultural seeds.

According to Booker, its attractions include a strength in grasses and the production of oil and protein crops; a strong vegetable breeding programme; and a significant position in flower breeding.

These interests, says Booker, will complement its own seed business where sales topped £27.3m in 1987.

Daehnfeldt's recent profits record has been unimpressive, with the pre-tax figure falling from DKr 18.5m (£1.6m) in 1982/3 to a loss of DKr 27m (£2.4m) in 1986/7. According to Booker, the core business has remained profitable but problems have stemmed from a recent acquisition; from Daehnfeldt's US subsidiary; and from rising borrowings. Net assets last September totalled DKr 60.5m (£5.3m). Sales last year were DKr 319.9m (£28.1m), of which more than half were exports.

After meeting the costs of financing the Daehnfeldt acquisition, says Booker, the net profit contribution is likely to be negligible in the short.

Bunzl in £16m US expansion move

By Maggie Urry

Bunzl, the expanding paper and packaging group, has taken an option to buy 53 per cent of the shares in Seal, a US group, and has agreed to endeavour to make an offer for the rest of the shares. The price for both purchases would be $12 a share, valuing Seal at $28m (£16m).

The option was granted by directors of Seal. Over the next two weeks Bunzl will make investigations with "due diligence" and will only proceed with the offer if it is satisfied with its findings.

Connecticut-based Seal has three main activities. The first – laminating and mounting photographs and other graphics for displays – is similar to Bunzl's Coated Specialities subsidiary. Last year Seal bought Ademco, a UK company, which is a distributor to the laminating and mounting market. The third division, Okay Industries, makes precision-machined parts and was acquired in 1984.

Mr Donald Latimer, Bunzl's group services director, said yesterday that Bunzl had known Seal for some time. Although Okay did not apparently fit with Bunzl's activities, the future of that part of Seal would be decided if and when the offer goes through.

In the year to October 31 1987 Seal made a pre-tax profit of $5.5m, up from $2.7m in 1986 and $620,000 in 1985. Seal's shares were trading at $10.25 before the announcement.

Chancery Securities £1.95m purchase

To further strengthen its financial services side Chancery Securities, merchant bank, has acquired ADC (Holdings) for an initial of £1.95m.

ADC, privately-owned and based in Bristol, provides a range of financial services to clients throughout the south-west. It has warranted pre-tax profits of £300,000 for the year to November 30 1987 together with net tangible assets at that date of £310,000.

Philip Coggan on the latest setback for Cambridge Instrument

Struggling to repair City image

SAVED by Labour's National Enterprise Board, sold in the first days of Thatcherism to a nuclear physicist turned entrepreneur, **Cambridge Instrument** is virtually a one company case study of the last 20 years of UK industrial policy.

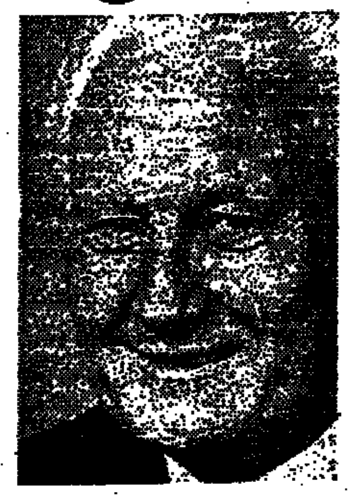
Sadly, after all the rescue packages and transfers of ownership, Cambridge has not yet been able to shake off its record of hi-tech products but low-quality earnings. The announcement that this year's profits are likely to be substantially lower than expected is just the latest disappointment since the company rejoined the stock market last year.

Until the float, Cambridge seemed to be in a new phase of its hundred-year history. Founded by Mr Horace Darwin, the naturalist's son, in 1881, the company was one of the pioneering developers of scanning electron microscopes. But making money was rarely its forte and the NEB acquired it in 1975 after it had passed through a series of corporate hands.

In 1979, the NEB passed management control to a consortium led by the Welsh-born, San Diego-based Mr Terry Gooding and his actions quickly improved the group's dismal financial record.

From losses of £3m in 1979, Cambridge moved into profit in 18 months, with the help of reduced costs, tough financial controls and new management. Profits then grew steadily and the purchase of Reichert Instruments in 1986 nearly doubled the group's size and allowed it to float with a market capitalisation of £127m.

The Reichert acquisition was heralded as a deal for the future. It gave Cambridge a strong presence in the optical instruments industry, it offered plenty of scope for cost savings and, according to Mr Gooding at least, it was cheap at the ($50m) price.

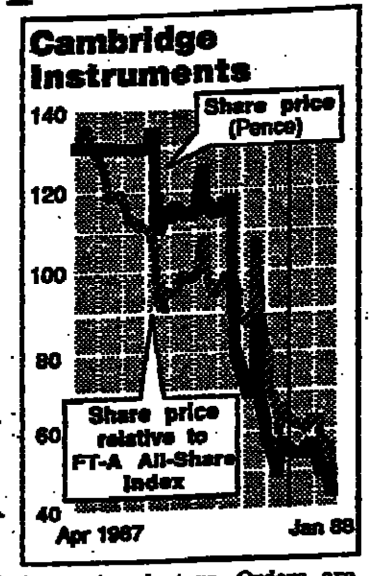


Terry Gooding – no justification for current share price

At the time of the float, the Reichert business was still being rationalised and its main effect on the group had been to dent operating margins. But last November Cambridge acquired the optical instruments arm of Bausch and Lomb, which also required rationalisation. This means that the full benefits of the US purchases will not come through until 1990.

Two further factors have dented the impact of the Reichert buy. A US patent dispute has affected its higher margin opthalmic business and the dollar's weakness has exacerbated the effect of the US profits decline.

Cambridge might have shrugged off those difficulties had it not been for its problems in semiconductors. Orders are on the way, says Mr Gooding, but they may not make it into profits in the current financial year.



However, the market is disinclined to be sympathetic. The problems of the semiconductor industry were well known and at the time of the float, Cambridge was repeatedly asked to give an indication of its semiconductor profits. But the company refused to do more than split out the turnover saying that, because of the way it was organised, a profit breakdown was impossible.

By the time of this year's interim results, however, Cambridge was able to indicate that the semiconductor business lost £1.4m in the first half. Although the company stressed that in future semiconductors would represent less than 10 per cent of turnover, the damage to Cambridge's reputation had been done.

Cambridge now has its work cut out to get back into the City's good books. Even in the heady days of last year's bull market, the company's offer-for-sale received a distinctly lukewarm response. On opening day, the shares closed unchanged at the offer price of 130p.

The subsequent performance has been enough to make any stag hang up his antlers. The peak was a measly 134p and after the crash, when investors scrambled out of any dollar-related stocks, the shares subsided to the 43p at which they were suspended last Thursday. Yesterday's news initially knocked off a further 11p before a rally to the close of 40p.

"There is no justification for the share price to be where it is at the moment" says Mr Gooding, who sees the poor performance of the shares as evidence of the City's short-term attitude.

But analysts are unrepentant. "We still have a blurred image of the company's prospects," said Mr Nigel Burton, an electronics analyst at Robert Fleming, "and I can't see how anyone can recommend the shares on fundamental grounds, until we have more information."

Even Kleinwort Grieveson, the company's broker marked down its pre-tax profits forecast to about £3m yesterday, after already having cut its estimate from £10.8m to £8.5m after the disappointing interims. Other analysts were looking for between £3m and £3.5m this year with the possibility of a recovery next year.

Cambridge will need to at least match those estimates if it is to convince the markets that the years of turbulence are finally over.

Scholes on bid trail as profits jump

BY ANDREW HILL

George H. Scholes, the electrical engineer which last year fought off a £70m bid from Delta Group, is buying H. & L. Appleby, a family-owned manufacturer and distributor of electrical installation materials, for £9m in cash and shares.

The acquisition adds wiring accessories and lighting systems to the products supplied by Scholes under the brand name Wylex. The company says further acquisitions are likely this year.

Scholes also announced pre-tax profits up 18 per cent to £3.3m (£2.8m) for the half-year to the end of December on turnover of £17m (£15.4m). The cost of fighting last year's bid was included as an extraordinary loss of £551,000, reducing net profits by 10 per cent to £1.6m (£1.78m).

Earnings per share increased by 20 per cent to 16.5p (13.7p) and an interim dividend of 5.5p (4.5p) has been declared.

Mr Reg Harrington, chairman and managing director, said sales of miniature circuit breakers and residual current devices now accounted for 60 per cent of turnover.

The units are manufactured by Scholes under exclusive licence from Asea Brown Boveri and Felten & Guilleaume.

Sales of traditional rewireable fuse units are being eroded by this new technology, but Mr Harrington aims to offset this by expanding the product range.

The Manchester-based company is to pay for Appleby with £260,000 cash, the issue of £7.51m of new Scholes loan stock and 273,333 new ordinary shares. A further payment of £250,000 depends on Appleby's profits.

In the year ended March 29 1987, Appleby made £1.26m before tax on turnover of £4.62m. Net tangible assets stood at £4.5m.

● comment

Judging from yesterday's results Delta's unsuccessful bid last July has shocked Scholes into action. The company may regret the £551,000 extraordinary loss, but it has bought itself some useful publicity. Emerging from behind the Wylex brand name, Scholes announced figures well up on expectations, and the company's first major purchase also looks canny: Appleby's gross margins are nearly 50 per cent better than those of its new parent company – and the acquisition will *help fulfil* Scholes' aim of being able to supply a complete fusebox package to both domestic and industrial consumers. The company is ungeared at the moment and is looking at public and private companies for further acquisitions, to be funded with borrowings and paper. Yesterday the shares closed up 10p at 455p and pre-tax profits for this year are expected to top £7m. A prospective p/e of 13 looks high for the sector but reflects hopes of a bid and takes account of the potential for further growth this year.

Wates City in £40m property sale

By Heather Farmbrough

Wates City of London Properties yesterday announced that it had sold its interest in the 42,600 sq ft building at 56 Moorgate to Westdeutsche Landesbank Girozentrale for about £40m.

Mr John Ellington, financial and commercial director, said the deal had been agreed before the stock market crash.

Following the crash, "the demand for property is still there and the available space is not," he added.

The consideration will be satisfied by an immediate cash payment, and a loan note of approximately equal value payable in four years' time.

Polly Peck in Spanish buy

Polly Peck International, the international trading and manufacturing company, is buying a Spanish citrus packing complex for Pta 150m (£750,000). Based in Valencia, the facility will be used to pack Spanish fruit for distribution within EC markets.

The company has also established a new French distribution company for fresh produce in Marseilles. This is intended to complement the activities of the Group's Dutch subsidiary in Rotterdam, Sunzest Netherlands.

Low & Bonar Canadian minority deal

BY HEATHER FARMBROUGH

Low & Bonar, packaging, plastics, textiles and electronics group, intends to repurchase the outstanding minority 32.6 per cent interest in Bonar Inc, its Canadian business.

As part of the C$38.75m (£17.4m) cash deal, the group is to offer C$24.25 a share. The independent directors of Bonar Inc are advising the board to recommend acceptance of the offer.

The company raised C$15m 3½ years ago by floating one third of its equity in Canada. However, Mr Roland Jarvis, who became group chief executive after the sale, said that the two considerations were not comparable, since the Canadian business had doubled in size, and had raised additional capital.

"We realised we had a very good business in North American which it would make sense to reacquire," he said. "With the Canadian dollar relatively weak against the pound, it seemed the right time to do so."

In the year ended November 29, Bonar Inc produced pre-tax profits of C$12.9m and had net assets of C$61.8m at the end of the period.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Baldwin, Murray Income Trust, Murray International Trust, Murray Smaller Markets Trust, Scottish English and European Textile.

Finals- Baltic, Capital and Counties, Continental and Industrial Trust, Energy Capital, First Scottish American Trust, Foreign and Colonial Investment Trust, Great Western Resources, Leslie Wise Group, Alfred McAlpine, Metal Bulletin, National Westminster Bank, Newage Transmissions, Owners Abroad, Provident Financial, SBCI Savory Milln, Tyndall Holdings, Yorkshire Chemicals.

FUTURE DATES

Interims-	
Brierley Investments	Mar 14
Global Group	Mar 2
Finals-	
AMS Industries	Feb 26
BBA	Mar 3
BICC	Mar 9
Conroy Petroleum	Feb 27
Fisons	Feb 29
Great Western Resources	Feb 23
Hiberian Group	Mar 14
Jacksons Bourne End	Feb 24
Ladbroke	Mar 10
Macallan-Glenlivet	Mar 25
Paragon Communications	Mar 8
Pentland Industries	Mar 14
Pickwick	Feb 29
Questel	Mar 3
Record Holdings	Mar 2
Saga Holidays	Feb 25

UK COMPANY NEWS

MINERAL EXTRACTION AND REFINING IS LARGEST CONTRIBUTOR TO PROFITS

Lonrho gives £10,000 to SDP

BY MARTIN DICKSON

Lonrho, mining, trading and industrial company headed by Mr Tiny Rowland, donated £9,775 to the Social Democratic Party last year. It is the company's first donation to the SDP and only the second it has made to a British political party in its recent history.

The donation was revealed in the company's annual report, published yesterday, which also pointed to a rise of £180,000 in Mr Rowland's pay and gave the first detailed breakdown by sector of the company's profits last year.

The only other donation Lonrho has made to a British party since 1965, when it became necessary to reveal these in annual reports, was a small contribution to the Conservative Party in 1982.

The accounts show that Lonrho's highest paid director, presumably Mr Rowland, saw his pay rise last year from £475,860 to £656,251. Mr Rowland, who owns about 57m Lonrho shares, will also have received some £7m of dividend income.

A breakdown of the group's pre-tax profits, which totalled £200.2m, against £165.1m in 1986, showed the largest contribution coming from mineral extraction and refining, which produced pre-tax profits of £59.1m, against £44.3m, helped by firmer precious metals prices and increased production.

There was a sharp rise in the contribution from leisure, wines and spirits to £32.1m (£18.1m), helped by a recovery in the UK hotel trade from the adverse impact of the Chernobyl disaster of 1986 and in the Mexican hotel business from the 1985 earthquake.

Motor and equipment distribution, notably the Volkswagen-Audi dealership in the UK, saw profits rise to £31m (£22.3m), while agriculture was up to £14m (£9.3m) and manufacturing £23.3m (£22.1m). Falls in profits were recorded by financial services, £23.9m, compared to £30.7m, and general trade, £16.8m, compared to £18.3m.

The report also points out that Mr Rowland, having reached the age of 70, will have to formally retire. This is required by law. However, he will be proposed for re-election as chief executive at the annual meeting and, under the company's articles of association, will not have to stand for re-election in subsequent years.

Last year's annual meeting saw an attack on Lonrho's accounting policies launched by associates of the Egyptian Al-Fayed family, which is involved in a bitter dispute with the group over the Al-Fayeds' takeover of House of Fraser in 1985. The Al-Fayeds have promised that the latest set of Lonrho accounts will be subjected to the closest scrutiny.

The report also notes that last year Lonrho acquired a textile company in Zimbabwe in partnership with Zanu(PF), the country's ruling party.

Although it is common for private sector companies in Africa to form joint ventures with state-owned companies, it is unusual for these to be with individual political parties.

See Lex

European radio stake for Capital

By Heather Farmbrough

Capital Radio, an independent London radio station, yesterday announced its first move into commercial radio in Europe with the acquisition of a 60 per cent holding in Riviera Radio, an *FM* service with facilities in Monte Carlo and nearby Ventimiglia, Italy.

Riviera Radio has more than 100,000 English-speaking listeners, while Capital boasts 3m regular listeners a week.

However, Mr Nigel Walmsley, managing director of Capital, said that Capital's contribution would be to sales and marketing.

"We can interest London-based advertisers and offer some marketing services back-up," he said.

"As Riviera Radio has a general manager, we would be *the* London end," he added.

The remaining 40 per cent interest in Riviera will continue to be held by Wexel Securities, a Monaco-based financial services company.

Capital is buying its shares from the Australian Linter Group, which will receive £130,000 and about 30 per cent of the profits over the next three years.

Riviera has recently been re-equipped and re-organised under new management.

F&H warning lops 16p off share price

BY FIONA THOMPSON

SHARES OF **F&H Group,** which makes control systems used in the automation of industrial production, fell 16p to 75p yesterday after the company predicted that its results for the six months ended October 31 1987 would show a loss.

The company was due to release its interim figures this Thursday, but the directors said yesterday that the results would now be announced on March 17.

Mr Roger Antrobus, finance director, would not comment on prospects for the full-year figures beyond saying he was optimistic.

He said a package was being put together at the moment to provide further equity "to strengthen the balance sheet" as the company was overgeared, and to allow for expansion.

Pre-tax profits for the year to April 30 1987 fell to £840,000 from £1.82m.

The company, which joined the USM in August 1986, has relied heavily on the UK motor industry, which has traditionally accounted for 60 per cent of sales.

It is part of the company's strategy to reduce this dependence.

Arco declares bid unconditional

The £2-per-share bid by **Atlantic Richfield,** the US oil company, for **Tricentrol,** Britain's second largest independent oil company, was yesterday declared wholly unconditional, **writes Steven Butler. Arco** owns or holds acceptances for 64.7 per cent of Tricentrol's share capital.

Arco and Tricentrol have agreed on a proposal by which holders of Tricentrol convertible loan stock will be offered £120 in cash for each £100 nominal value of stock. The proposal values the outstanding convertible loan stock at £55.6m.

Warrants are to be cancelled upon payment of 10p in cash each, for a total of £472,500.

The proposals are subject to approval by the holders of loan stock and warrants.

Temple Bar improvement

On earnings ahead from 6.86p to 7.21p in 1987, **Temple Bar Investment Trust** is raising its dividend from 6.25p to 6.95p. The final is 4.31p. At year end net asset value per share was up from 208.74p to 232.89p with prior charges at par, and from 209.45p to 235.17p after charges at market value.

Albright & Wilson rises £1m

DESPITE REORGANISATION costs in the UK of £3.5m this time, **Albright & Wilson** raised trading profits by £1m to a record £46.6m in 1987. Sales of this subsidiary of Tenneco International Holdings were marginally lower at £650.2m, against £651.7m.

Profits in Europe (including the UK) improved by one-third to £29m, before reorganisation costs, but were £3m lower in the Americas where margins were squeezed.

Sales volumes were up 7 per cent in Europe, but the weak dollar reduced the sterling value of North American sales and contributed to lower selling prices in Europe. Exports from the UK were £116m, representing 40 per cent of sales of UK origin.

Pleasurama hotels purchase

BY HEATHER FARMBROUGH

Pleasurama, the leisure group, has announced the acquisition of three Scottish hotels for its wholly owned subsidiary, Norscot Hotels. The total consideration is thought to be worth some £1.5m in cash.

"We are trying to expand our hotel division rapidly," said Mr Stuart Lee, finance director. Pleasurama bought its first continental hotel, the Thermae Palace Hotel, Ostend, in January.

The three star Scottish hotels are the Royal Marine Hotel at Nairn, with 44 bedrooms, and the 73 bedroomed Great Western Hotel at Oban. The purchases will be completed on March 9 and 16 respectively. These *follow* the purchase of the three star Gairloch Hotel in October.

Pleasurama has 43 hotels in the UK, and is seeking to increase its earnings from hotels and holidays while reducing its dependence on gaming. This year, around 22 per cent of earnings are expected to come from the hotels and holidays division.

Over 53% take up Barbican rights issue

By Andrew Hill

Barbican Holdings, a loss-making industrial and property holding company, announced that nearly 47 per cent of its £4.4m, two-for-one rights issue had been left with the underwriters.

About £2.36m was raised from existing shareholders who subscribed to 53.1 per cent of the issue, the proceeds of which will be used partly to fund the purchase of eight properties, mainly in Scotland and the north of England.

Mr Peter Parkinson, finance director, said Barbican, which is quoted under Stock Exchange rule 535(2), was hoping to apply to the Exchange for a quotation on the Unlisted Securities Market. He said he was satisfied with the outcome of the rights issue.

"We felt, given the state of the market and the state of Barbican, that it was a very good result - in fact, much better than we had expected," he said yesterday.

The company had told its 7,500 shareholders that the survival of Barbican was totally dependent on the result of the issue.

Dominion cuts oil group stake

By Fiona Thompson

Dominion International Group, the financial services, property and natural resources group, has sold 8.5m shares in Southwest Resources for £1.7m, reducing its holding in the oil and gas company from 59 per cent to 43.1 per cent.

Dominion put its stake in Southwest up for sale last October, in line with its policy of decreasing its involvement in the oil industry. Talks were progressing on the balance which might lead to an offer, the company said yesterday.

Dominion also announced that it had acquired the rights to buy 1.63m ordinary shares in Intex Holdings (Bermuda) at £1 per share, up to November 1992, for a combined consideration of £2.1m. Dominion already holds 1.5m Intex shares, representing a 28 per cent stake.

Intex is based in Bermuda and operates the first fully automated futures exchange in the world.

Kwahu in loss

The October market crash left **Kwahu Company** in loss for the half year ended December 31 1987. A provison against the fall in investments of nearly £400,000 (£27,300) made above the line meant a loss of £360,500 (profit £75,400).

Net assets per share at December 31 were 28.97p, compared with 35.3p.

Future results would be heavily influenced by the performance of the 85.4 per cent owned Aluminium and Timber Securities.

Pict Petroleum

Pict Petroleum has stayed in profit for the half year ended December 31 1987, making £85,000. That followed the £154,000 earned in the second half of last year, after the opening six months' £256,000 deficit.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
FII Group ....int	3.25	-	3	-	8
Scholes (Geo) ....int	5.5	May 11	4.5	-	14
Scot East Inv ....fin	1.6	-	1.35	2.35	1.2
Temple Bar Inv ....fin	4.31	-	3.85	6.95	6.25
Vickers ....fin	5.5♥	May 6	4.93*	9.2	8.4*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ♥Gross throughout.

UK COMPANY NEWS

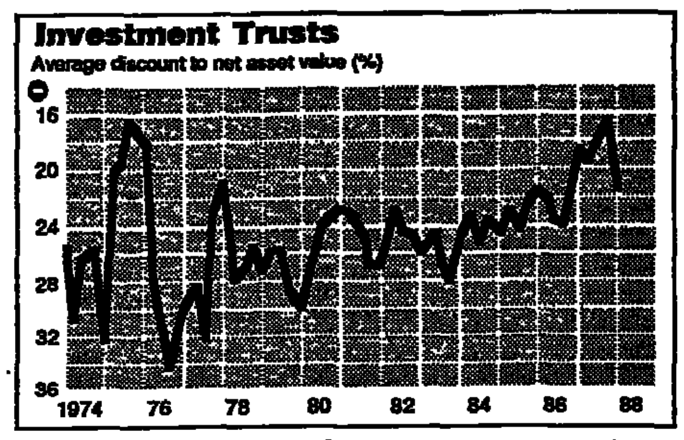
Nikki Tait details Ivory & Sime's complex reorganisation of three trusts

Attempting to remove the predatory threat

CORPORATE ACTIVITY may be *suffering from a market-induced* lull generally, but that is not the case in the investment trust sector.

An inevitable post-crash widening of discounts – the difference between a trust's share price and the value of its underlying assets – has tended to attract new adventurers and done nothing to dispel predatory fears among incumbent managements.

So it is scarcely surprising that the steady stream of reconstruction schemes keeps coming. The past month has seen three plans unveiled involving five trusts and more than £600m of assets.



Underlying these schemes, *and the basic discount problem,* is a widely-admitted oversupply of trusts. There are about 170 investment trusts in England and Scotland. Many obligingly transformed themselves into specialist funds in the early-eighties only to find that this niche service, often a geographical specialisation, was something that institutional investors were increasingly able supply in-house.

More surprising, to some shareholders disturbing, is the growing ingenuity of the reorganisations suggested

A pre-emptive reconstruction scheme, which eliminates, or substantially reduces, the discount, aims to remove that predatory threat and to secure the bulk of the funds under existing management.

More surprising, to some shareholders, disturbing, is the *growing ingenuity of the reorganisations* suggested.

For example, not only is Ivory & Sime, Edinburgh-based management group, proposing a complex rejig of three trusts, but on the way it plans to launch the first, generally-available "indexed" security, performing directly in line with the FT-A All Share Index.

MIM's controversial reorganisation of the Drayton Japan trust follows the now-familiar split level trust conversion route offering varieties of *income and capital shares.* But in an added refinement Drayton plans the first "pure" income share, offering a 10-year income stream but almost no capital repayment.

The pressures prompting these innovations are two-fold. There is a desire among certain institutional shareholders to cash in, or value, holdings as *close as possible to net* asset value. However trust managers are anxious to retain the maximum funds in a popular vehicle.

Old-style unitisations or conversion into unit trusts rarely achieve more than 95-6 per cent of net asset value. Advisers reckon they can do better.

That claim will face an interesting *test this Thursday when* the Ivory & Sime scheme comes to the vote. Not all the 10,000 investors involved are happy.

Ivory's notion is simple enough. It is giving three options to shareholders in three of its trusts – Atlantic Assets, worth some £134m, Edinburgh American Assets at about £100m and Japan Assets worth some £70m.

Package one is a mix of equities and loan stock in a new Selective Assets Trust. Package two comprises units in an *open-ended Luxembourg-based* "umbrella" company, called the Atlas Fund. Package three involves a swap into one of three specified investment companies, which one depends on which trust is held, plus a small element of Atlas units.

It is also possible to take a mix of the three, subject to certain minimum elections from each existing trust in favour of the first and third options.

It is the Selective Assets fund which breaks new ground. Ivory envisages that 40 per *cent of its starting capital* will be in the form of "index loan stock" with a 25-year life. During the period it will give shareholders a capital and income return which exactly matches the FT-A All Share Index.

The remaining 60 per cent will be represented by ordinary shares, which enjoy all the additional capital and income *growth achieved by the trust* once the loan stock requirements have been met.

The trust's managers, however, simply invest total money opting for this package to the best of their ability. To the extent that they outperform the All-Share, the ordinary shares enjoy geared-up success. If they underperform, the gearing works in reverse.

For example if managers improve the value of a fund from £100m to £300m in a period when the All-Share only doubles in a conventional trust, an ordinary share backed by 100p worth of assets initially would end up backed by 300p. An ordinary share in a fund with 40 per cent "index gearing", would end up backed by 367p.

The fundamental questionmark concerns fund managers' ability to outperform. The *industry's track record is not* universally encouraging and the gearing factor works in reverse when performance is below that of the index.

Ivory's answer is blunt. "Either you believe in the validity of active fund management or you do not .... If you do not, then frankly it is a mystery as to why you hold investment trusts at all."

And it points out that anyone retaining Selective Assets stock and shares in the strict 40:60 proportions faces the same risk *as if the fund had a single* share class.

If the Selective Assets Trust is an elegant innovation, the rest of the Ivory scheme is *more complex.*

The Atlas fund is not new, witness TR Pacific Basin's reconstruction. Critically, the Luxembourg company is open-ended, so units in its fifteen sub-funds should, like unit trusts, trade at about net asset value. The option will suit shareholders wishing to cash in or value their holdings at close to nav.

Option three is the complicating factor and a reflection of the three trusts' existing investments. Atlantic Assets owns 60 *per cent of another Ivory-managed* trust, Independent; the holding representing almost one quarter of Atlantic's assets.

About 8 per cent of Japan Assets money is tied up in a 37 per cent stake in Nippon Assets, co-advised by Ivory and Nippon Investment & Finance. About 11 per cent of Edinburgh Assets assets are invested in GBC Capital, *a Canadian-based* investment company which is turning itself into a mutual fund.

With the exception of a reduced holding in GBC, Ivory intends to part with these investments. If insufficient shareholders opt for package three, Independent/Nippon/GBC shares will be allo*cated to shareholders* who only want Atlas units.

That should not pose too big a problem. In the distribution, Independant shares will be valued at a 23 per cent discount to nav, GBC at a 16 per cent discount and Nippon at a 20 per cent discount.

But in terms of the reconstruction overall, allowance for these discounts, combined with the general expenses of the operation and, in the case of Atlantic, for the protection of existing warrantholders' time value, *makes the bottom-line* look unappealing. Anyone simply wishing to cash in a holding in Atlantic, for example, would only get about 90 per cent of present nav, in Edinburgh American, 92-93 per cent and in Japan Assets, 95-96 per cent.

There is the additional problem of both warrantholders and convertible loan stockholders in Japan Assets. Under the terms of the reorganisation, they are obliged either to exercise/covert their holdings early or to receive a cash sum in lieu. *Although the cash sum cannot be precisely defined* until liquidation, critics of the scheme claim that both alternatives fail *to compensate fully for the premium*/income advantage of their present investments.

Ivory's response is that any alternative scheme, or an outside predator, would face a similar problem with the existing cross-holdings. It could, moreover, be obliged to pay Ivory management termination fees – 3 per cent of assets in the case of Japan Assets, ½ per cent at Atlantic and 1½ per cent at Edinburgh American – something which is being waived in this case.

As for the time value problem on the warrants/convertibles, that is just painfully familiar.It is a long-standing grouse which has never brought any joy from the Takeover Panel.

Nevertheless, opposition simmers. Warrantholders have no vote, but the cause of JAT's convertible loan stockholders is being championed by the National Investment Group, the regional stockbroking organisation, which claims a fair body of support. Some of the larger holders of Atlantic Assets are also thought to be unhappy.

The degree of disgruntlement is difficult to guage but the decision is critical for the sector

Ivory counters by claiming that of the 10-20 per cent of total votes already cast or declared, 90 per cent are in favour, including Anglo & Overseas, the Morgan Grenfell-managed trust which holds 29 per cent of JAT and has made its support public. Ivory also points out that if the Japan *Assets scheme fails* and is replaced by either a liquidation/unitisation or a bid, convertible loan stockholders would find themselves without a vote.

Even well-versed analysts concede that the degree of disgruntlement is difficult to gauge. What they do suggest is that the decision will be critical for the sector.

If institutions reject this one, managements can be expected to tread more warily. And while instititutions may then *get their full pound of flesh,* the rush of pre-emptive reorganisations could itself abate.

SHARE STAKES

Changes in share stakes announced in the past week included:

Asset Trust - Mr B Banks, a director, and his family own 1.1m shares, representing 7.4 per cent of the equity.

Casket - director Mr Harry Turpin has purchased 210,000 ordinary shares at 79p each, taking his holding to 800,000 (5.7 per cent).

Central Independent TV - stake held by D C Thomson and Co has increased by 25,000 shares to 5.11m.

Local London Group - the trustees of the Bourne family settlement have sold 724,875 ordinary at 445p each. As a result Robert and Graham Bourne are beneficially interested in 7.7 per cent

James Wilkes - Mr S.L. Hinchliffe has acquired as beneficial owner 100,900 ordinary. His resultant total voting shares amount to 794,471 (18.5 per cent).

R W Toothill - Beaverco has acquired a further 5,000 ordinary and now holds 95,500 shares (13.64 per cent).

Expanding Smallbone makes £3m cash call

By Fiona Thompson

Smallbone, the up-market kitchen, bathroom and bedroom furniture supplier, is to raise £2.96m through a rights issue. The company plans to expand its UK and US operations and to branch out into furnishings for the whole house.

Smallbone includes five wholly-owned companies. Its core business, Smallbone of Devizes with 14 UK showrooms, makes and installs hand-made fitted kitchens, bedrooms and bathrooms. BC Sanitan is a wholesale distributer of bathroom fittings; And So To Bed sells luxury brass and wooden beds from seven outlets; Pipe Dreams sells luxury bathroom products from three outlets and Smallbone Inc sells Smallbone of Devizes products in the US.

The US operation began cautiously last March with a *single showroom in* Manhattan selling only kitchen products. However, demand has exceeded expectations, with sales of over $2.8m (£1.6m) to the end of last month and deposits taken on anticipated sales of more than $5m.

The US expansion plans include a 7,500 sq ft showroom in Los Angeles and a second outlet in Manhattan. Both will open this spring and sell kitchen, bathroom and bedroom furniture, according to Mr Graham Clark, managing director.

Longer term, the company wants to expand its range to include furnishings for the whole house. The recently opened showroom in the Fulham Road, London, includes panelling for living rooms, and free standing furniture such as bookcases, bureaus, dining tables and chairs, sofas and soft furnishings.

"This showroom is highly indicative of the way we want to go," said Mr Clark, "both in the UK and the US."

The rights issue is of 3.1m, 7.25 per cent convertible redeemable participating preference shares at £1 per share on the basis of 55 for every 100 ordinary shares held. The issue has been *fully underwritten* by Standard Chartered Merchant Bank.

FII Group raising output to fight import growth

BY ALICE RAWSTHORN

FII Group, footwear manufacturer, saw profit margins fall during the first half of the year when pre-tax profits rose by just 6 per cent to £3.2m on turnover which increased by 45 per cent to £30.9m.

Mr Monty Sumray, chairman, attributed the fall to the intensely competitive nature of the footwear market. He said that the more complex style of shoes had increased the labour content. *An increase in imports* of Far Eastern shoes, which imposed price pressure on the retail market, ensured that the increase in costs could not be passed on.

The increase in imports from the Far East had continued in the opening months of 1988. Mr Sumray intends to combat the problem by increasing sales volume by gaining new customers and possibly by moving into new areas of the market.

"Our strategy is to produce even more shoes, possibly at *lower margins,* to increase the volume of profits and earnings per share," he said.

In the six months to November 30, earnings per share fell to 17.4p (21.6p). The the interim dividend is being increased to 3.25p (3p).

At the end of the period FII held £3.5m in cash, which will enable the group to continue its *capital expenditure programme* to increase capacity and upgrade the existing plant. The group expects to spend between £1m and £1.6m this year and to increase capacity by about 5 per cent.

Mr Sumray said that new customers had already been attracted in every area of the *business and that output* was running at record levels.

● comment

In *ordinary circumstances* a fall in margins from 15 per cent, in the last full financial year, to 10.5 per cent would be no more and no less than a *disaster. But* the circumstances of the footwear market have been quite extraordinary and the FII Group is anything but an ordinary manufacturer. The recent surge in imports of cheap Far Eastern footwear shows no sign of abating. Nevertheless the second half should be marginally better than the first, with a slight increase in profits to *£7.4m and a fall in* earnings per share to 38p. The FII solution - of increasing volume sales – sounds sensible. It is fortunate in that there is lots of scope for its Lotus brand, where turnover has risen by 50 per cent in the 18 months since the acquisition. Similarly men's shoes should benefit from the opening of the new welted factory and could *fare well overseas.* Securing new customers for the mass market Fiona women's shoes will be far from easy in such competitive times. But FII has the inestimable advantage that by any objective measure, whether profit margins or return on capital employed, it is still by far the most efficient footwear manufacturer in the country.

TSB (NI) £500m assets

BY OUR BELFAST CORRESPONDENT

PRE-TAX profits of £8m were returned by **Trustee Savings Bank (Northern Ireland)** during the period from November 20 1986 to October 31 1987. The new year-end stemmed from a change in the TSB group accounting date.

For the first time balance sheet footings exceeded £500m in a year which was shortened by three weeks. Bank advances to customers rose by 17 per cent to £116.6m, and deposit balances were up 9 per cent at £436m.

To provide additional facilities for customers, a subsidiary is being incorporated in the Isle of Man to accommodate offshore business.

In his annual report, Mr Stanley Rainey, the bank's chairman, referred to the ongoing product development programme. He said an attractive package had been launched recently to offer services to the professional market, with a *specialsection* for the legal profession.

AGB Research

AGB Research is acquiring a 60 per cent interest in the MRL Research Group, one of the largest market research companies in New Zealand.

AGB said the acquisition complemented its existing business in New Zealand.

APPOINTMENTS

Central TV commercial director

CENTRAL INDEPENDENT TELEVISION has appointed **Mr Cliff Baty** as commercial director. He will remain responsible for internal audit. He was director of finance, and is succeeded by **Mr Kevin Betts**, who is to introduce priority based budgeting throughout the company. Mr Batts was controller of finance.

★

Mr James Reeve has been appointed chief executive of CONTRACTS INTERNATIONAL, a new company set up by *Taylor Clark to help* finance feature films and television projects.

★

Mr Graham Cocks, former chief dealer at the Bank of England, joins the treasury team at THE FIRST NATIONAL BANK OF BOSTON as corporate and institutional marketing manager.

★

Mr Trevor Deakin has been appointed to the board of GRIFFIN FACTORS, factoring house subsidiary of Midland Bank. He was senior manager operations.

★

Mr Andrew L. Smith has been appointed managing director of TENBY ELECTRICAL ACCESSORIES, an Emess company. He was *managing* director of Bulpitt Engineering and B.K.B. Electric Motors.

★

Mr Alan Runnicles, managing director of Try Build, and **Mr Frank Nelson,** group financial controller, have been appointed to the *TRY GROUP* main board.

★

CUNDELL GROUP has appointed **Mr John W.E. Kerslake** as group finance director from March 1. He was a divisional director specialising in acquisitions at London International Group.

★

Mr R. Martin Mays-Smith, a group director of Kleinwort Benson, has been appointed a non-executive director of EMPIRE STORES (BRADFORD).

★

Mr Alan Moss has been appointed executive chairman of INC. PRODUCTIONS, a City publishing group. He was a print consultant.

★

Mr Michael Whitmarsh has been appointed an assistant director of GUINNESS MAHON & CO., with responsibility for the credit control unit.

★

BELHAVEN BREWERY CO., has appointed **Mr Timothy King** as managed and tied sales director, a new post. He will be involved in the purchase of public houses. Mr King joins from Bass, Mitchell's and Butlers, where he was sales administration director.

★

Mr Timothy Richard Hornsby has been appointed director general of the NATURE CONSERVANCY COUNCIL from May 1. He succeeds **Mr Richard Steele** who retires at the end of June. Mr Hornsby is being seconded for three years from the Department of the Environment where he is director of rural affairs.

★

Mr Alan Jeyes has been appointed chairman of UNIVERSAL CONVEYOR CO., Leicester, following the retirement of **Mr Norman Hanford.** New joint managing directors, in succession to Mr Jeyes, are **Mr David Marston** and **Mr Mick Bird.** All have been with the company over 30 years.

★

THE BUILDING RESEARCH ESTABLISHMENT has appointed **Mr Michael Baker** as deputy director to succeed **Mr Roger Courtney** who becomes director on *April 1.* Mr Baker, who was an assistant director, will continue to manage the materials divisions, including the Princes Risborough Laboratory.

★

ROBINSON PACKAGING has appointed **Mr Richard Merrick** to the newly-created post of business development manager. He was with Ross Young where he was fish group marketing manager.

★

BBN COMMUNICATIONS has appointed **Dr Ken Pearson** as sales director. He was manager, network consulting.

Dalgety forms agribusiness operating group

DALGETY has formed an agribusiness operating group which brings together the former agriculture and general products divisions of Dalgety U.K. and the international operations of the Pig Improvement Company. **Mr Bryan Fawcett,** managing director of *Dalgety Agriculture,* is appointed chief executive. **Mr Ron McCreery** becomes commercial director. The new managing director of Dalgety Agriculture is **Mr Paul Kirk. Mr Richard Clothier** is appointed to the new post of chief executive, Pig Improvement Company, responsible for all UK and international operations.

Next month, the Merseyside Enterprise Board will launch a £1.6m unit trust to back small businesses. The money will come from the pension funds of the universities, British Aerospace, and the London borough of Camden. The trust will make investments up to £200,000.

In April the board will take its next major step, a joint investment company with Wirral Borough Council. The council will put in £100,000 – and National Westminster Bank a ten-year loan of £900,000, to be repaid in the second half of the term when equity stakes in growing businesses should be paying off.

Three more £1m joint investment companies are expected to be announced with other Merseyside boroughs – Liverpool, Sefton and Knowsley – before the end of the year, each getting the bulk of its money from a different clearing bank.

Barclays Bank, however, is already active. It has given the board a £1m unsecured "evergreen" loan for general use. This will be a rolling fund, always topped up by the bank to the £1m mark and requiring no repayment. The interest will have to be paid, but the rate is generous, allowing the board itself to lend competitively.

Meanwhile, the board will be playing a leading role in a major Liverpool inner city development, setting up and backing a black ethnic business centre for the Toxteth and Granby areas near the Cathedral and Chinatown. The Government will be putting up £100,000 via the urban programme to get it going.

All these things are signs that after four-and-a-half years of political and leadership problems and a series of unfortunate fits and starts, the Merseyside Enterprise Board is beginning to emerge as the force for small business that it was supposed to be. It could be an important spur to Merseyside's revival.

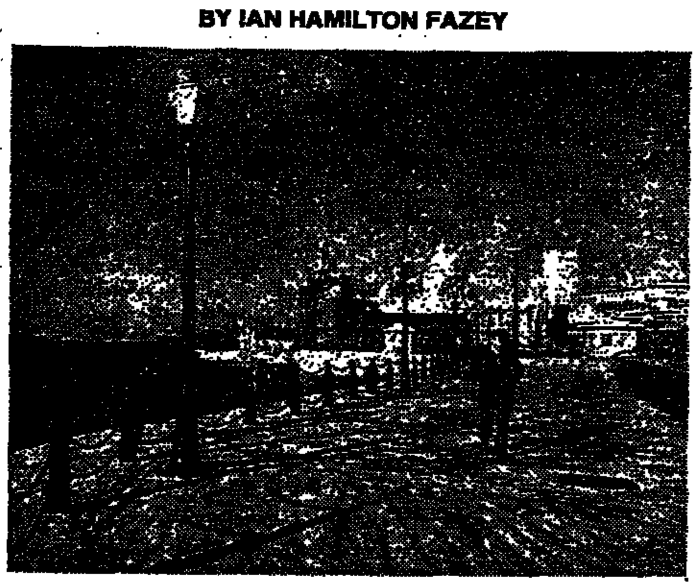
The board has lost its political hue, its chairman has resigned from the Labour Party, there is clear balance of political and commerical views in the MEB's boardroom and the ensuing perceived neutrality is allowing it to bridge gaps between public and private sectors.

Board members include David Weir, a partner at accountants Arthur Young, and Ronnie Fearn, a former bank official who won Southport for the Liberals at the General Election. The new unit trust is to be chaired by

Merseyside enterprise

Emerging as a real force

BY IAN HAMILTON FAZEY



A series of enterprise measures on Merseyside is now getting off the ground after a series of fits and starts

Stephen Dennison, deputy chief executive of the Ocean shipping and industrial group.

Given the board's history, the wonder is that it is still operating. It was set up in 1983 by the Labour-controlled Merseyside County Council to help ensure that venture and development capital was more readily available locally to help develop small business.

It struggled, partly because of Labour Party turmoil, according to John Duncan, the chairman. He stepped into the job full-time in 1986 after the county council – he chaired its economic development committee – was abolished.

Duncan says that Labour was preoccupied with other commitments which required high spending, most notably subsidised public transport. Things got worse when the council took back £1.2m of the £3.2m it had allocated to the board because it needed the money to fund unemployment resources centres and finance its advertising campaign against its abolition.

Unfortunately, the board had hardly got going under Ron Osborne, its able chief executive, when he developed cancer and died. Credibility was sorely damaged because a unit trust he had already got the money for from pension funds had to be aborted and the cheques returned.

By this time, the county council had been abolished but business confidence in and on Merseyside was being severely damaged by the political turmoil generated by the Liverpool Militants. This made it impossible to get Merseyside's boroughs to agree on anything, let alone the future of a struggling enterprise board.

Duncan says: "When Ken Abbott took over as chief executive in September 1986 the board had only its original £2m available for investments, its standing in the local and national financial community was shaky and there was a pressing need to secure financial support from the Merseyside boroughs just to keep going."

Abbott, with wide experience of private sector management, set out to get investment funds up to £10m and persuade the boroughs to keep the board going. The various developments that are now unfolding suggest that he is succeeding. The £10m target will certainly be reached when all the joint investment companies with the boroughs and banks have been set up.

Duncan, a former teacher in St Helens, was also one of the board's credibility problems. He was active in St Helens Labour politics and became nationally infamous for an attack at the 1985 Labour Party conference on John Evans, the MP for St Helens North, who wanted one-person-one-vote in leadership and reselection procedures.

The warfare that followed saw St Helens' two constituency parties suspended, their sitting MPs re-selected and re-elected last June, and Duncan facing disciplinary charges.

By resigning from the Labour Party, Duncan has made the issue a dead one for the board, which he chairs full-time on salary. His commitment is doubly apparent in terms of appearance. Gone is the leather jacket and the scruffy image. He now dresses well.

"I wish I'd known in 1981 what I know now," he says ruefully. "But then we can all say that, can't we? If we don't learn by experience, what are we doing?"

Abbott says that Duncan's experience, contacts, and political wheeler-dealing skills also saved the board. "We could not have done what we have without them," he says.

Duncan's key achievement looks like being getting the Merseyside boroughs – three of them Labour, two of them "hung" – to agree future joint funding of £200,000 a year to help support the 22-staff body.

Pro rata apportionment on a population basis will mean that Liverpool will pay most, but the Government will help it to do so through the urban programme - another indication of the board's acceptability.

The board has £1.9m invested in 19 small or growing businesses. Its biggest deal was £300,000 to help Powell and Scholefield, the long-established Liverpool biochemicals group, to expand into Wavertree Technology Park. The quality of proposals is improving, so risks will probably diminish.

However, only one figure matters politically on Merseyside. There were 994 jobs among the 19 investments when they started. The aggregate today is 1,499. With more than 130,000 unemployed on Merseyside it is small beer. But it is a start.

Development agencies need sharper focus

Charles Batchelor on a study of policies and their effectiveness

BRITAIN'S regional development organisations could make a more effective contribution to small business if they targeted their lending activities more carefully. This conclusion emerges from a recent study* of nine development agencies and enterprise boards with a combined total of £200m to invest.

While most of the agencies set out to plug the gaps in conventional sources of finance they do not appear to have thought particularly hard about the policies needed to meet these objectives, the authors say.

The agencies do not try hard enough to concentrate on investment projects which could not obtain backing elsewhere, nor do they attach much weight to the level of employment generated by their investments.

They do not appear to charge a rate of interest any lower than that demanded by the clearing banks. In fact many agencies expect to make a normal commercial return. In defence of the agencies, a number are required to pay back private institutional funds which require a commercial return, the study says.

The agencies are prepared to take smaller equity stakes than conventional commercial investors but most of their funding is provided as loans, which are also available from the banks.

The degree of conservatism shown by the agencies in their lending policies is reflected in their default ratios. These varied between 3 and 30 per cent but on average were not high and did not show a particular willingness to take risks, the authors said.

The agencies are, however, willing to accept a lower level of security than would be expected by a bank and they are generally opposed to the idea of requiring personal security for a loan.

The report concludes that there is scope for the agencies to improve on the financial help they give small firms. If their own borrowings from conventional sources of finance limit the extent to which they can take risks they should consider whether they should continue to raise funds from these sources.

If investment funds are required to be self-supporting they should establish a basic portfolio containing some high-return investments but thereafter they must target lending on deserving cases which cannot find funds elsewhere.

They must also accept that if their role is to plug the gaps in convential financing sources their rate of return on investments will be lower than is normal in the commercial sector, the authors say.

The agencies studied were the Highlands and Islands Development Board, Scottish and Welsh Development Agencies and the enterprise boards and development corporations of Greater London, Greater Manchester, Lancashire, Merseyside, West Midlands and West Yorkshire.

**The need for, and effectiveness of, development banking by regional agencies. A working paper by Graham Hall and Pam Lewis. Manchester Business School.*

Study to assess benefits of loan guarantees

The Loan Guarantee Scheme, one of the most controversial of the British Government's initiatives to help small business, is currently undergoing a thorough review. National Economic Research Associates, a private consultancy, is nearing the end of a project for the Department of Employment to judge the scheme's effectiveness.

The consultants are looking at questions such as:

- Would the business have still existed, perhaps on a smaller scale, without the scheme?
- Has it used the finance to increase output or simply to change the balance in its use of capital as against labour?
- Has the finance been used to pay off existing debt?
- Has the finance been taken out in the form of extra holidays or smarter cars for the directors?

The underlying aim is to establish whether the scheme has simply helped individual firms or whether it has benefited the economy as a whole.

Introduced in 1981 to persuade banks to back potentially viable small businesses which might otherwise not meet their lending conditions, the Loan Guarantee Scheme has had a chequered history. The banks' inexperience with this type of lending meant many of the earliest loans were not repaid.

The Government then tightened up the conditions, thus making the scheme less attractive and more expensive. Demand dropped. Conditions were eased again but demand has never recovered to earlier levels.

As it now stands the scheme allows a borrower to take up a £75,000 loan (or several smaller loans up to that ceiling). The Government guarantees 70 per cent of the outstanding amount to the bank while borrowers pay a 2½ per cent premium on 70 per cent of the loan to cover the higher risk.

While the present consultants' study has already shown that the scheme could help bank managers over the difficulties they face in judging small business proposals, many banks claim they have nowintroduced their own loan schemes which make the LGS less necessary.

One suggestion made in an interim report produced by the consultants is for the banks to introduce new financial instruments which would allow them to obtain higher rewards if the business is a success. One idea it proposes is for the customer to give the bank a guaranteed share of its banking business.

Charles Batchelor

In brief. . .

WHY DO SOME young companies grow to operate on a European scale while others remain restricted largely to their own home markets?

The European Foundation for Entrepreneurial Research has been set up with the backing of businessmen around Europe to try and find the answers.

While a great deal of research is carried out in the countries of Europe into small business most of it has a purely national focus. The aim of the foundation is to fill the gap in research into entrepreneurship and the growth of companies on a Europe-wide scale.

It plans to hold annual conferences on the subject starting with one in December at IMEDE, a business school at Lausanne, Switzerland. The first conference will be chaired by Sue Birley, professor of entrepreneurship at Cranfield School of Management in Britain.

The idea for the foundation came from Bert Twaalfhoven, president of Indivers, a Dutch industrial holding company. "The Americans raise large sums to back this sort of research. I felt it was time we did the same thing in Europe," he says.

Sponsorship has come from 17 companies active in Europe, including banks, insurance companies, accountants and venture capitalists. They include Nederlandsche Middenstandsbank, McKinsey, the management consultancy, Société Générale of Belgium, Digital Equipment (Europe) and Harvard Business School.

The foundation is calling for academics to submit papers on the theme of Emerging European Growth Companies. It will provide research funds of Ecu£4,000(£2,800) to each researcher whose proposal is accepted.

Proposals to: Professor S Birley, Cranfield School of Management, Cranfield, Beds MK43 0AL. Tel 0234 751122.

●

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Telex: 628554 ICSIOM G
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Publication date 22 March 1988
Copy Date 8 March 1988

The Financial Times proproses to publish this Survey on the above date.

A number of areas will be covered including:

* What is to be done about British Management?
* How do Managers actually think?
* How can "Intuitive" thinking be improved?
* How are leaders developed and teams built?

Please address all inquiries or suggestions concerned with the editorial content of this Survey to the Surveys Editor.

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Details of Financial Times Surveys are subject to change at the discretion of the Editor.

Businesses For Sale

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
PHILIP MONJACK FCA and KEITH DAVID GOODMAN FCA
in the matter of

NORMAN CREGOR EYEWEAR LIMITED

Offers are invited for the business and assets of the above company who are manufacturers of exclusive high-quality spectacle frames. Trading from leasehold premises situated in London N9, with key production staff and a turnover of approximately £¾ million.

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Arthur Andersen & Co.
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For further information contact:
John Readman, Joint Receiver, Arthur Young, George House, 50 George Square, Glasgow G2 1RR. Tel: 041-552 4994

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Sandylands Holiday Park Saltcoats, Ayrshire

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(IN RECEIVERSHIP)

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Interested parties should contact the receiver R J Rees at Victoria House, 76 Milton Street, Nottingham, NG1 3QY. Telephone: 0602 419321. Telex: 377621. Telecopier: 0602 472660.

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Central Birmingham

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For further details, contact Adrian Woods or David J Corney, the Joint Administrative Receiver at Deloitte Haskins & Sells, Edmund House, 12-22 Newhall Street, Birmingham B3 3DX or telephone: 021-200 2829; Fax 021-200 2829; Telex: 337839.

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KPMG Peat Marwick McLintock
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THE FAIR:
Date: 10th-16th March, 1988. **Time:** 9.00 am to 12.00 pm. 1.30 pm to 5.30 pm
VENUE:
76 and 89 St. Helen's Gardens, London W10
LOCAL ORGANISER:
Minmetals (U.K.) Ltd. 64 St. Helen's Gardens, London W10 Tel. 01-968 3932
Sunry Import & Export Co. Ltd. 76 St. Helen's Gardens. London W10 Tel. 01-968 4251

COMMODITIES AND AGRICULTURE

Banks' guarantee backs clearing reorganisation

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

A £100m guarantee for British, Australian and New Zealand clearing activities has been finalised as part of the internal reorganisation of the International Commodities Clearing House, which celebrated its centenary yesterday.

The explicit guarantee, put up by ICCH's six shareholder banks although some of it has been covered by reinsurance, replaces the implicit backing previously provided by the banks – the main clearers hold 20 per cent each of ICCH and Standard Chartered and Royal Bank of Scotland each have 10 per cent.

The reshuffle has divided ICCH into four operating divisions with discrete managements. The guarantee will support one of these, the London clearing house division, which acts as counterparty to every trade on London futures and options markets. The guarantee does not, however, cover the Stock Exchange's Traded Options Market.

It does back clearing operations in Sydney and Auckland, but not those of the Hong Kong Futures Guarantee Corporation which was at the centre of the problems in the territory's markets during the October stock market crash. ICCH has a stake in the Hong Kong corporation and operates it, but these activities are outside the scope of the new guarantee.

The clearing house is due to be deemed a Recognise Clearing House by the Securities and Investments Board, though recognition has not yet been granted.

One of the purposes of ICCH's reorganisation was to define the exact costs attributable to members so that ICCH income from one market should not be used to subsidise its development in another area.

As part of this thrust, members will be charged for the guarantee through a method yet to be defined in discussions with a panel of six people representing the major exchanges and firms.

Mr David Hardy, managing director of the clearing house division, said the basis for charging might be similar to the present one, under which firms forego interest on the first amounts of margin they put up. He said, however, that charging explicitly for the guarantee would not produce greater costs for members than the present system.

As a measure of the guarantee's size, its £100m amount was proportionately much larger, he said, than a guarantee fund into which users of Options Clearing Corporation, the largest US clearer of options, contribute according to their usage of its facilities.

Though it had problems in Hong Kong, ICCH's activities elsewhere held up well during the crash, with increased calls for margin being met promptly. ICCH is, however, introducing a previously-planned risk management system which will allow better monitoring of cross-market risks.

The reorganisation of ICCH followed widespread concern in London markets about its efficiency and costs, resulting in the establishment of an advisory committee in 1986 headed by Mr John Barkshire, who was appointed non-executive chairman. This discussed several courses of action including the possible sale of the ICCH to exchanges or clearing members.

It was agreed, however, that banks should continue be the owners but should provide the guarantee explicitly and for a fee. An implicit guarantee of uncertain strength and indeterminate size was felt to be anachronistic, particularly in view of the globalisation of the markets with London exchanges seeking links with the US.

US regulators and the Chicago Board of Trade, whose members operate their own clearing house, were believed to be unhappy about the London guarantee arrangements when the planned link between the Chicago Board of Trade and Liffe was being negotiated last year.

Scots set up salmon board

By James Buxton in Edinburgh

SCOTLAND'S salmon farmers have established a marketing board to promote their product in the UK and overseas markets.

The Scottish Salmon Farmers Marketing Board has been formed by the two organisations of salmon farmers in Scotland, the Scottish Salmon Growers' Association and the Shetland Salmon Farmers' Association.

Between them they represent about 140 companies operating more than 300 farms throughout the Highlands and Islands of Scotland. They account for over 90 per cent of Scottish salmon production with a current annual turnover of £100m.

Output from the Scottish salmon farming industry is growing extremely rapidly. It reached 13,000 tonnes in 1987, and is expected to grow by 60 per cent in 1988.

The marketing board, based in Perth, will have an initial annual budget of £1.2m. The aim is that members will contribute 2 per cent of their annual turnover to it.

The Highlands and Islands Development Board will contribute 20 per cent of the 1988 budget.

The board will advertise salmon on TV in the south of England, carry out retail promotions in the UK and France, and try to develop export opportunities in the US.

Stabilisers herald CAP reform

BY TIM DICKSON IN BRUSSELS

"THE SEVEN dwarfs" was how one European Community diplomat yesterday described the package of agricultural stabilisers finally nodded through yesterday by EC Foreign Ministers in Brussels.

Notwithstanding France's threat to re-open negotiations in the dying stages of the heads of government meeting in Brussels, that image may accurately reflect the general absence of controversy since the ill-fated Copenhagen Summit in December. But it unfairly belittles the importance of the changes in the long-term context of Common Agricultural Policy reform.

The agreement covers seven farm sectors:

MILK – The milk quota system, introduced in 1984, is increasingly seen in Brussels as one of the major successes of CAP reform. In 1985, for example, the dairy sector swallowed up around 30 per cent of the EC's total agricultural budget but latest projections suggest that this will be down to 23 per cent by the end of 1988.

Yesterday's deal confirms that quotas are here to stay, at least until March 31, 1992 (three years beyond the end of the present five-year period). Significantly, however, the European Commission did not get its way on its proposal to make permanent the 5.5 per cent quota suspension which was negotiated under the British chairmanship of the Community in December 1986. "This was a setback", one senior official indicated yesterday. "We didn't accept it at first when it was included in the Danish compromise at Copenhagen but with political pressure from all sides it was quickly clear that we were not going to win".

Member states also insisted that the compensation payments made to farmers whose quotas are suspended should be higher than those originally tabled by the Brussels executive. They have now been set at Ecu 10 per 100 kg for 1987-88 and 1988-89; Ecu 8 for 1989-90; Ecu 7 for 1990-91 and Ecu 6 for 1991-92.

SHEEPMEAT – A guaranteed threshold for the Community of 44m ewes has been fixed, with a specific quantity (18m head) set for Great Britain (not including Northern Ireland). Where the EC flock exceeds this figure, the so-called basic price will be reduced by 1 per cent for each 1 per cent overrun. The effectiveness of this stabiliser, however, is open to question, given that the premium paid to producers is calculated as the difference between this basic price and registered market prices. It is possible that if price reductions are triggered, the premium to farmers and thus Community support for this sector will not fall correspondingly.

A strong emphasis during the negotiations, meanwhile, was placed on "third country" imports, with New Zealand lamb a particular target for some member states. The final agreement refers somewhat vaguely to the need to "respect import price disciplines" and the "effective restriction of import volumes" but the Council has asked the Commission to submit draft terms of reference for negotiations with third countries as soon as possible.

WINE – This is one of the most complex agricultural regimes supported by the Community and opinion in Brussels is divided on whether the changes made by member states represent a toughening, or a watering down of the Commission's original proposals. What does seem certain is that the aim of establishing a link between "grubbing up" and compulsory distillation will pose a major challenge for those Commission officials charged with translating the principles into legal texts.

The Brussels Summit, moreover, is unlikely to have had the last word on wine. With between 7m and 8m hectolitres of unwanted alcohol in storage and the high rates of productivity in Italy and Spain expected to add to existing output pressures, the wine-induced hangover for those managing the budget in future years promises to be painful.

SUGAR – In spite of strong lobbying by the West Germans, the Commission's proposal for this stabiliser has emerged from the Council unscathed. The main objective is to ensure that the sector is self-financing on an annual basis. Thus there will be a supplementary levy, applied retrospectively, to ensure a coverage of the deficit each year if the proceeds from the two production levies are insufficient. Quotas will be maintained at their present level for 1988-89 and 1990-91.

TOBACCO – The Commission's original plan for a maximum quantity of 350,000 tonnes for the Community has been revised upwards to 385,000 tonnes for three years. The price penalties have also been considerably softened so that within a limit of 5 per cent for the first year and 15 per cent for the second and third years, the intervention price and premium will be reduced by 1 per cent for each 1 per cent production over-run.

The main arguments now will be to decide how to break this up by tobacco variety, taking into account that the EC's main problem is growing too much of the poor qualities and not enough of the good ones. Current policy of discouraging the one and encouraging the other will almost certainly be reflected in the forthcoming price proposals.

COTTON – Nothing new was proposed or adopted in this sector but the existing stabiliser will be maintained.

FRUIT AND VEGETABLES – The Council agreed that thresholds should be introduced for quantities eligible for intervention and that if over-run, the basic and buying-in prices should be reduced for the following marketing years. Decisions will be taken by the Commission, using the management committee procedure (where member states are represented) according to market situation.

Pakistan harvests record cotton crop

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN achieved a record cotton crop of 8.5m bales (raw) in the 1987-88 season, government statistics show.

This lays to rest earlier speculation that the country's crop would fall to 7.5 m bales from 7.7m in 1986-87, and that it might not be able to fulfill its export contracts.

The larger crop will help Pakistan to boost foreign exchange earnings in a year when the Government is trying to expand its exports for all major commodities. Cotton, along with cotton products, is the country's biggest foreign exchange earner.

What agronomists are calling Pakistan's "cotton revolution" has come about as a result of three factors: campaigns to control pests and to ensure that only the best quality seed is used; arrangements to underpin growers' returns by setting fixed minimum prices at which they can sell to the Government if open market prices are not favourable; and stricter grading and quality control, which helps Pakistan to produce and export more.

The Pakistani textile industry is expected to consume 4.4m bales of cotton this season, but the rest will be available for export. The international market had remained firm up to last August, when it reached 80 cents a lb, but the price has fallen gradually to around 62 cents a lb as a result of fluctuations in foreign currencies and slow demand growth in the western countries which are Pakistan's main customers.

Pakistani cotton exports in the second half of 1987 totalled 820,000 bales, worth $178m, according to the Cotton Export Corporation. In the whole of 1986-87 (July/June) they totalled 3.94m bales, worth only $466m.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	+3,450	to 23,825
Aluminium high grade	+600	to 24,475
Copper	+6,350	to 55,525
Lead	+350	to 19,200
Nickel	−262	to 2,754
Zinc	−50	to 41,350
Tin	−25	to 19,165
Silver (oz).	+40,000	to 19,560,000

Indonesia strives to keep pace with sugar demand

By John Murray Brown in Jakarta

INDONESIAN SUGAR officials will have taken more than a passing interest in the performance of Tina Turner promoting Pepsi Cola in Jakarta last week. Like the raunchy US rock star, Indonesia's sugar industry is also trying to boost soft drink sales in an effort to raise per capita sugar consumption, which is still well below the average for developing countries.

Its first task, however, is to raise production to match the current consumption level and so to eliminate the need for expensive imports.

According to Mr Karmanta Halim, head of planning at the Indonesian Sugar Council, the Government remains commited to sugar self-sufficiency. Planted acreage is being increased and old mills renovated.

In addition tenders went out last year for investment in three new mills in the islands off Java. A local Chinese company has already agreed terms for one mill, a $120m (£70m) investment in South Sumatra, to process 100,000 tonnes of raw cane a year. It should be on stream by 1991.

This year, however, the Government will again need to import sugar – about 120,000 tonnes it says – largely to offset the impact of last year's drought. That is expected to hold 1988 production at 2.18m tonnes, 10 per cent below the official target and only slightly up on 1987's figure of 2.13m tonnes.

Shortfalls in production and the high domestic price of sugar have made Indonesia an attractive market for overseas suppliers in recent years. Having maintained self-sufficiency since 1983 the Government had to import 162,500 tonnes of raw sugar in 1986, and officials have confirmed that at least one smuggled cargo, of 10,000 tonnes of refined sugar, entered the country in that year.

London traders believe Indonesia may have to buy as much as 400,000 tonnes on the world market this year, although that has been denied officially in Jakarta.

Indonesian officials remain realistic about the prospects for sugar, given the current domestic pricing policy and the present supply glut on world markets.

"The domestic investor has to rely on Government policies. He can never be certain of an increase in his price," says Mr Halim. For the prospective investor, crops like palm oil and cocoa, which have export potential and are less capital intensive, appear more attractive.

Sugar, perhaps more than other commodities, is suffocated by government regulations, which extend from cane-growing through to the retail stage. About a quarter of the 320,000 hectares now under cane is rented by the sugar mills from the Government. The rest is planted by smallholders on their own land, normally under arrangement with the mills.

Bulog, the Government's food logistics agency, sets a ceiling price, based on the ex-mill price to the wholesalers and including mill costs and taxes. The system has succeeded in holding prices steady in real terms for over 5 years, but at considerable cost. The World Bank, in its latest report, calculates that at current exchange rates and economic prices, Indonesia loses about $125 on every tonne produced, or an annual total of $275m at present levels of output.

Recent growth in output has been almost entirely due to increases in harvested area. Yields remain low at 7.6 tonnes per hectare on Java, compared with 5.5 tonnes elsewhere. According to the World Bank yields have actually declined over the past decade, because of low sucrose content and problems with harvesting and transportation. Despite attractive labour costs the unit cost of Indonesian sugar remains one of the world's highest.

The picture has not always been so grim. In the 1940s Indonesia was the world's second largest sugar exporter, after Cuba. The industry then employed 500,000 people, producing 3m tonnes of sugar every year. But production has slumped since then; mills have fallen into disrepair and the Government has had to rely heavily on imports. As recently as 1981 Bulog imported a record 768,000 tonnes, which at the time was about a third of Indonesia's total needs.

Bulog has responded by actively supporting prices, to reduce the import bill, and in a bid to match production with rising consumer demand. But its operating deficits, largely the result of stock build up, have grown steadily, sustained by off-budget state bank credits. Today Bulog still holds astock estimated at 900,000 tonnes.

The World bank has been equally critical of the Government's credit policy, pointing out that sugar producers currently account for more than 20 per cent of total outstanding loans to the agricultural sector, but for only 3 per cent of farm crop output. On top of this, irrigation is heavily subsidised, although much of the expanded acreage is on rain-fed areas in the outer islands.

Problems are most acute on Java, which accounts for 70 per cent of the land under cane. Here cane production is rigidly enforced to meet the demands of the sugar mills, despite what are often better returns to farmers from other crops. The World Bank estimates that shifting sugar cultivation to rice would increase direct farm incomes by over Rupiah 150bn (£52m) every year at present prices.

In January farmers from Central Java complained to the Sugar Council, calling for a higher official price. Farmers say increases have not been sufficient to keep pace with prices of other commodities, particularly rice, the main staple. But the official Indonesian sugar price is already above the world market level. At Rupiah 467.5 a kg it equates to 12.7 US cents a lb, compared with about 8.5 cents a lb on the New York market.

A 4-WEEK strike which crippled Guyana's sugar industry has ended, but the unions representing the industry's 16,000 workers say further stoppages are likely, writes Canute James in Kingston, Jamaica.

The workers struck to support claims for production incentives equivalent to eight days' pay. The state-owned Guyana Sugar Corporation, which runs the industry, offered three days' equivalent. The unions have since moderated their position, saying the equivalent of four days' pay will be accepted. They said, however, that, if no settlement was reached, they would take what they described as "positive action".

The Sugar Corporation said the strike had affected production, but gave no figures.

The industry has set a 240,000 tonne target for this year, following actual output last year of 221,000 tonnes.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES fell sharply yesterday, with cash metal adding a fall of £40 a tonne to last week's fall of £80 a tonne, closing at £1,272.50. The market recovered from earlier lows in afternoon trading on general short covering induced by the relative stability of prices in New York. Aluminium prices touched eight-year highs in morning trading in a continuation of the overall bull trend, based on constructive fundamentals. But gains were pared later as nervous selling and liquidation developed when prices moved above those for copper. Nickel prices moved steadily lower in afternoon trading. However, traders said the bull trend remains intact, with any significant retracement expected to attract fresh consumer demand. Cocoa prices were unchanged in spite of the International Cocoa Organisation buying 5,000 tonnes for its buffer stock. The buffer stock now stands only 11,000 tonnes short of the maximum possible 250,000 tonnes.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.75-4.80y	-0.095
Brent Blend	$15.62-5.70z	+0.01
W.T.I.(1 pm est)	$16.72-6.75z	+0.26
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$170-173	+3.0
Gas Oil (Soviet)	$131-133	+0.5
Heavy Fuel Oil	$71-72	+0.5
Naphtha	$153-155	+2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$446.25	+3.50
Silver (per troy oz)♣	641c	+5.00
Platinum (per troy oz)	$465.25	+3.75
Palladium (per troy oz)	$121.25	+1.00
Aluminium (free market)	$2275	+75
Copper (US Producer)	108⅝-10½c	-7⅛
Lead (US Producer)	35.50c	
Nickel (free market)	395c	
Tin (European free market)	£3885	-2.50
Tin (Kuala Lumpur market)	17.26r	+0.02
Tin (New York)	316.50c	+0.25
Zinc (Euro. Prod. Price)	$890	
Zinc (US Prime Western)	45.375c	
Cattle (live weight)†	106.94p	-0.54*
Sheep (dead weight)†	149.03p	-5.07*
Pigs (live weight)†	66.44p	-0.94*
London daily sugar (raw)	$226.00x	
London daily sugar (white)	$235.00x	
Tate and Lyle export price	£236.50	-2.00
Barley (English feed)	£108.50u	
Maize (US No. 3 yellow)	£132.00	
Wheat (US Dark Northern)	£99.00z	
Rubber (spot)♥	62.50p	-0.25
Rubber (Mar) ♥	66.50p	-0.25
Rubber (Apr) ♥	66.50p	-0.25
Rubber (KL RSS No 1 Mar)	283.50m	
Coconut oil (Philippines)§	$525.00w	+15.00
Palm Oil (Malaysian)§	$415.00x	
Copra (Philippines)§	$350.00w	-10.00
Soyabeans (US)	£159.00w	-0.50
Cotton "A" index	67.40c	-0.40
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-May. x-Mar/Apr. y-Apr. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	1045	1043	1047 1039
May	1067	1067	1070 1063
Jly	1087	1089	1091 1085
Sep	1107	1107	1108 1104
Dec	1134	1134	1138 1130
Mar	1160	1159	1162 1158
May	1181	1180	1179

Turnover:2252 (3523) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for February 19: 1344.86 (1332.23) .10 day average for February 22: 1333.40 (1331.98).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1279	1266	1289 1273
May	1310	1296	1325 1303
Jly	1331	1320	1342 1326
Sep	1352	1338	1362 1346
Nov	1373	1360	1380 1370
Jan	1393	1380	1399 1397
Mar	1417	1400	1417

Turnover: 4620 (3684) lots of 5 tonnes
ICO indicator prices (US cents per pound) for February 19: Comp. daily 1979 123.42 (121.99); 15 day average 119.57 (119.05).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	193.40	191.60	195.40 189.80
May	191.20	191.80	194.40 189.20
Aug	186.60	186.20	189.40 185.00
Oct	185.20	185.00	187.20 184.80
Dec	185.00	185.00	
Mar	186.80	186.00	188.40
May	189.00	188.60	
White	**Close**	**Previous**	**High/Low**
May	232.40	233.00	234.00 230.00
Aug	233.00	234.00	234.00 233.50
Oct	233.00	232.00	232.00 229.50
Dec	233.00	233.00	
Mar	234.00	235.00	233.50 231.10
May	234.50	238.50	

Turnover: Raw 4332 (4482) lots of 50 tonnes; White 456 (1389).
Paris- White (FFr per tonne): May 1345, Aug 1355, Oct 1340, Dec 1350, Mar 1365, May 1380.

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	132.00	132.25	133.75 131.75
Apr	132.25	132.25	134.00 132.00
May	132.00	132.00	133.25 131.75
Jun	133.25	134.00	134.00 133.00
Jul	134.50	135.00	135.25 134.00

Turnover: 2380 (3780) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	104.05	103.80	104.10 103.80
May	107.40	106.90	107.50 106.80
Jly	109.90	109.35	110.10 109.35
Sep	101.55	101.55	101.55 101.50
Nov	103.50	103.50	103.50
Jan	105.75	105.75	105.75
Mar	107.75	107.75	107.75
Barley	**Close**	**Previous**	**High/Low**
Mar	102.75	103.80	103.00 102.75
May	105.25	105.90	105.50 105.25
Sep	98.00	98.00	98.00
Nov	100.40	100.40	100.40
Jan	102.40	102.40	102.40
Mar	104.75	104.75	104.75

Turnover: Wheat 292 (381) , Barley 149 (145) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 850 tonne
Cash	2280-300	2260-80	2280	2270-80		
3 months	2130-40	2100-20		2110-30	2120-40	3,319 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 28,425 tonne
Cash	1280-5	1289-91	1278	1277-9		
3 months	1192-3	1199-200	1198/1177	1192-3	1188-90	45,290 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,200 tonne
Cash	1270-5	1310-5	1275	1274-6		
3 months	1189-90	1219-20	1220/1178	1188-7	1197-9	71,324 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1240-50	1280-90		1237-40		
3 months	1160-70	1195-205		1160-70		36 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	636-9	634-7		636.5-7		
3 months	646-9	644-7		646.5-7	648-53	695 lots
Lead (£ per tonne)						Ring turnover 9,500 tonne
Cash	367-70	369-70	371/369	370-1		
3 months	341-2	341-2	343/340	340-1	342-3	10,409 lots
Nickel ($ per tonne)						Ring turnover 1,506 tonne
Cash	8690-720	8820-40		8800-10		
3 months	8230-40	8315-20	8340/8230	8334-5	8250-60	9,724 lots
Zinc (£ per tonne)						Ring turnover 9,400 tonne
Cash	495.5-6.5	501-2	498¼/498	497.5-8		
3 months	501-2	506.25-7	505/502	503-4	501-2	11,567 lots

POTATOES £/tonne

	Close	Previous	High/Low
Mar	81.00	80.00	
Apr	141.50	142.10	143.50 139.40
May	156.60	156.40	157.50 154.00
Nov	93.30	93.80	93.50
Feb	103.00	104.00	
Apr	140.80	141.20	141.00 140.50

Turnover: 1012 (504) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	129.70	129.20	130.00 129.50
Jun	125.50	125.50	
Aug	124.50	124.00	124.50
Oct	127.00	125.50	
Dec	129.00	129.00	
Feb	132.00	131.50	

Turnover: 300 (59) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1563.5	1561.5	1564.0 1550.0
Jly	1412.0	1401.0	1412.0 1400.0
Oct	1424.5	1406.5	1424.5 1395.0
Jan	1398.0	1382.5	1400.0 1398.0
BFI	1567.0	1568.5	1567.0

Turnover: 268 (280)

TEA
There were 30063 packages on offer in this week's sale, including 8600 packages in the offshore section, reports the Tea Brokers' Association. There was improved general demand. Selected brighter Assams and coloury dusts ruled firm to dearer but mediums were very irregular, sometimes 2-4p down, though there were fewer withdrawals. Bangladesh teas closed 2-3p lower. Best liquoring East Africans initially firmed but tended slightly easier late in the sale, while mediums were irregular but firm on balance. Central Africans sold more readily and coloury lines advanced. Ceylons were quite well supported, close to valuation. Offshore teas saw much improved demand at firm to dearer rates. Quotations: quality N/C (170p) medium 118p a kg (118p) low medium 88p (88p)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	446-446½	253-253½
Opening	445-445½	253¾-254¼
Morning fix	445.10	253.503
Afternoon fix	445.50	252.996
Day's high	446½-447	
Day's low	444¼-444¾	

Coins	$ price	£ equivalent
US Eagle	459-464	260-263
Mapleleaf	459-464	260-263
Britannia	459-464	260-263
Krugerrand	445-448	252¼-254¼
1/2 Krug	231-240	131-136
1/4 Krug	114-122	65½-69
Angel	457-462	259-261¾
1/10 Angel	45-50	25½-28¼
New Sov.	105-106	59½-60¼
Old Sov.	105-106½	59½-60½
Noble Plat	479-484¾	273-276¼

Silver fix	p/fine oz	US cts equiv
Spot	363.85	638.50
3 months	371.85	648.85
6 months	380.70	660.30
12 months	396.60	683.95

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2150		100		
2250			38	

Aluminium (99.5%)	Calls		Puts	
2100		104		
2200	33			

Copper (Grade A)	Calls		Puts	
2150				229
2250	77			

US MARKETS

COPPER FUTURES fell sharply as trade and commission house selling and long-liquidation depressed prices, reports Drexel Burnham Lambert. Precious metals firmed slightly in early trading, then eased as local and speculative liquidation touched off light commission house stops. Crude oil came under pressure from trade selling, especially in the April contract, and speculative liquidation in the March, local short-covering was noted late in the session. Product futures featured fund selling. Sugar closed mixed, held to a narrow range with producer price fix selling at the highs and trade support at the lows. Coffee continued firm on the back of the report indicating a lower-than-expected Brazilian crop, underlying roaster interest being countered by trade profittaking. Cocoa firmed slightly in response to a weaker dollar. Commercial (hedge) selling in cattle futures kept the market under pressure despite speculative buying and higher cash prices. Bellies and hogs were lower against cash prices but held firm as cattle rallied back. Wheat derived support following reports that China had bought and that the USSR was looking to buy and despite Friday's auction.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	444.9	445.1	447.2	445.0
Mar	444.9	445.3	0	0
Apr	447.6	448.0	449.7	447.1
Jun	452.1	452.5	454.3	451.5
Aug	456.9	457.3	458.8	458.0
Oct	461.8	462.3	462.9	461.7
Dec	466.7	467.3	469.0	466.0
Feb	471.9	472.6	474.0	474.0
Apr	477.4	478.2	479.2	479.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	463.8	464.3	467.0	463.0
Jul	468.3	468.8	470.0	468.0
Oct	473.3	473.8	476.0	474.0
Jan	478.8	479.3	480.5	480.5
Apr	485.3	485.8	0	0

SILVER 5,000 troy oz: cents/troy oz.

	Close	Previous	High/Low	
Feb	640.0	638.5	0	0
Mar	641.0	640.0	643.0	637.5
Apr	644.9	643.9	642.0	640.0
May	649.5	648.5	652.0	646.0
Jul	657.6	656.6	660.0	654.5
Sep	665.5	664.5	663.5	663.5
Dec	678.6	677.6	679.0	677.0
Jan	682.4	681.4	0	0
Mar	691.7	690.7	691.5	691.5
May	700.9	699.9	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	96.75	99.20	0	0
Mar	94.00	96.70	96.65	93.60
Apr	91.80	94.30	0	0
May	89.60	91.90	92.30	89.00
Jul	85.20	88.40	88.10	85.20
Sep	81.60	84.60	85.00	83.00
Dec	78.70	81.40	81.10	80.15
Jan	78.30	81.20	0	0
Mar	77.70	80.70	80.00	80.00
May	77.70	80.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Mar	16.71	16.70	16.76	16.48
Apr	16.48	16.66	16.55	16.40
May	16.37	16.57	16.43	16.29
Jun	16.28	16.48	16.35	16.20
Jul	16.22	16.41	16.27	16.14
Sep	16.05	16.26	16.15	16.00
Oct	15.95	16.20	16.01	16.00
Dec	15.95	16.08	15.96	15.90

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Mar	45.50	45.80	46.00	45.15
Apr	44.35	44.98	44.90	44.20
May	43.50	44.16	44.00	43.30
Jun	43.00	43.61	43.35	43.00
Jul	43.00	43.61	43.40	42.90
Aug	43.75	44.11	43.80	43.70
Sep	44.55	44.81	44.55	44.20
Oct	45.00	45.51	45.00	45.00
Nov	45.70	46.21	45.70	45.70
Dec	46.40	46.91	46.40	46.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1686	1679	1699	1680
May	1724	1720	1740	1721
Jul	1754	1750	1767	1752
Sep	1784	1780	1793	1784
Dec	1820	1815	1830	1820
Mar	1853	1849	0	0
May	1874	1870	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	142.25	140.74	142.75	140.50
May	143.74	142.82	144.40	142.75
Jul	145.54	144.79	146.25	144.80
Sep	147.20	146.51	147.75	146.70
Dec	149.80	149.13	150.25	149.20
Mar	149.26	148.75	150.50	149.50
May	150.75	148.75	150.75	150.75

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.77	8.70	8.86	8.56
May	8.52	8.57	8.65	8.40
Jul	8.32	8.34	8.45	8.15
Oct	8.25	8.23	8.33	8.07
Jan	8.27	8.24	0	0
Mar	8.32	8.32	8.43	8.20
May	8.45	8.48	8.54	8.40

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	60.40	62.40	62.00	60.40
May	61.05	63.05	62.90	61.05
Jul	61.10	63.10	63.00	61.10
Oct	59.00	60.75	60.60	58.80
Dec	58.08	59.60	59.47	57.80
Mar	58.95	60.60	59.40	58.95
May	59.45	61.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	166.15	166.70	166.50	165.50
May	160.40	160.45	161.00	159.30
Jul	158.40	158.10	158.75	157.60
Sep	157.00	156.50	157.50	156.60
Nov	154.95	155.25	155.00	155.00
Jan	153.10	153.25	153.00	153.00
Mar	153.10	153.25	0	0
May	153.10	153.25	0	0
Jul	153.10	153.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 19	Feb 18	mnth ago	yr ago
1771.6	1782.3	1752.7	1577.0

DOW JONES (Base: December 31 1974 = 100)

Spot	130.05	131.08	133.12	114.50
Futures	137.17	136.01	135.30	115.52

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	627/2	631/0	637/2	626/0
May	637/0	643/0	647/4	636/0
Jul	645/4	652/0	656/0	645/0
Aug	647/0	652/0	656/4	647/0
Sep	647/4	648/4	654/0	647/0
Nov	654/4	658/4	662/0	654/0
Jan	662/0	669/0	667/0	661/4
Mar	670/0	669/4	674/0	666/0
May	674/4	674/0	679/0	674/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.32	21.75	21.86	21.15
May	21.55	22.06	22.19	21.45
Jul	21.77	22.34	22.48	21.60
Aug	21.85	22.42	22.55	21.85
Sep	21.87	22.42	22.60	21.85
Oct	21.85	22.45	22.55	21.85
Dec	22.05	22.47	22.65	22.00
Jan	22.05	22.47	22.65	22.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	185.1	187.0	187.9	184.5
May	184.4	186.7	187.4	183.8
Jul	185.6	187.0	188.0	184.6
Aug	186.7	187.7	188.5	185.8
Sep	187.5	187.0	189.5	186.8
Oct	188.0	191.0	190.0	188.0
Dec	189.5	192.0	192.0	189.0
Jan	189.5	192.7	192.0	189.5
Mar	192.0	193.5	193.0	192.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	199/2	200/4	201/4	198/6
May	205/6	207/4	208/2	205/4
Jul	210/6	212/2	213/2	210/2
Sep	214/2	215/2	216/0	214/0
Dec	219/6	222/0	222/6	219/6
Mar	226/6	228/4	229/4	225/6
May	230/2	232/4	232/6	230/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	322/2	322/0	324/4	321/0
May	328/2	327/0	330/4	326/4
Jul	333/2	334/0	335/0	331/0
Sep	339/0	336/4	340/0	337/0
Dec	350/4	351/0	350/4	349/0
Mar	353/4	354/0	353/4	353/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	67.40	68.02	69.22	67.35
Oct	66.22	66.90	67.10	66.20
Dec	66.47	67.22	67.50	66.45
Feb	66.25	67.00	67.30	66.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	44.05	43.65	44.45	43.70
Jun	47.80	0		
Jul	48.17	48.05	48.05	47.47
Aug	46.87	46.62	48.30	47.85
Oct	42.60	42.50	47.20	46.82
Dec	43.10	42.87	42.85	42.29
Feb	43.20	43.05	43.10	42.85
			43.20	43.20

PORK BELLIES 38,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	53.65	53.57	54.42	53.45
May	55.17	55.15	55.85	55.05
Jul	55.85	55.62	56.62	55.75
Aug	54.70	54.52	55.90	54.62
Feb	55.90	56.50	56.50	55.90
Mar	56.30	57.40	56.60	56.30

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Chart based selling hits $

THE DOLLAR fell quite sharply, as last week's attempts to break though resistance levels against the D-Mark and Japanese yen eventually succeeded.

Much of yesterday's movement appeared to be in response to chart based trading. Mr Barry Cook, chief foreign exchange dealer at Morgan Grenfell International, said the dollar weakened noticeably after it breached support around DM1.7010 and Y129.50, but he questioned whether there will be much follow through.

He added the market is likely to be cautious at these levels, and fundamentally the dollar appears reasonably well supported.

The market pushed the dollar lower yesterday after last week's comments by officials in Switzerland and Japan, which suggested the dollar may come under renewed pressure because of continuing trade imbalances.

Dealers will be looking for any further remarks on the subject from today's Humphrey-Hawkins testimony before a US congressional committee by Mr Alan Greenspan, chairman of the Federal Reserve Board.

The dollar fell to DM1.6955 from DM1.7070; to Y129.20 from Y130.05; to FFr5.7350 from FFr5.7700; and to SFr1.3900 from SFr1.3990.

On Bank of England figures the dollar's index fell to 95.0 from 95.4.

STERLING - Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. January average 1.8001. Exchange rate index rose 0.2 to 74.5, compared with 72.6 six months ago.

Sterling gained support from an optimistic CBI monthly survey, indicating continued growth and a strong export performance.

The pound was helped by the weakness of the dollar, rising 1.60 cents to close at the day's high of $1.7645-1.7655. Sterling also advanced to DM2.9925 from DM2.9850, but dealers still see DM3.00 as a ceiling the Bank of England will not wish to see exceeded. The pound rose to Y228.00 from Y227.50; to FFr10.1225 from FFr10.0925; and to SFr2.4525 from SFr2.4475.

D-MARK - Trading range against the dollar in 1987/88 is 1.9805 to 1.5740. January average 1.6547. Exchange rate index 149.1 against 146.7 six months ago.

The D-Mark rose in nervous Frankfurt trading, as the dollar fell below the support level of DM1.70, after New York started trading. The US currency closed at DM1.6970, against DM1.7060 previously. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM1.7028, compared with DM1.7079 on Friday.

A fall in January West German producer prices by 0.1 p.c. appeared to provide the D-Mark with some support. There was no reaction to comments by Mr Karl Otto Poehl, that improvements in the US budget and trade deficits, and lower trade surpluses in West Germany and Japan, are likely to keep the dollar steady this year.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. January average 127.77. Exchange rate index 239.3 against 223.6 six months ago.

The yen showed little movement against the dollar in dull Tokyo trading. The US currency was confined to a narrow range, but showed a slightly softer tone, after last weeks comments by the president of the Swiss National Bank and Japanese officials suggesting that trade imbalances may lead to another dollar fall.

There were no other factors, and no repeat of comments at the end of last week that the dollar would soon reach Y132, and possibly Y135. The dollar drifted down to Y129.95, from Y130.55 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2122	+1.78	+0.99	±1.5344
Danish Krone	7.85212	7.89057	+0.49	-0.30	±1.5404
German D-Mark	2.05853	2.06622	+0.37	-0.42	±1.0981
French Franc	6.90403	6.98533	+1.18	+0.39	±1.3674
Dutch Guilder	2.31943	2.31946	+0.01	-0.78	±1.5012
Irish Punt	0.768411	0.775766	+0.96	+0.17	±1.6684
Italian Lira	1483.58	1521.14	+2.53	+2.18	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.22	Latest	Previous Close
£ Spot	1.7560-1.7570	1.7490-1.7500
1 month	0.29-0.27pm	0.30-0.27pm
3 months	1.04-1.00pm	1.05-1.02pm
12 months	4.05-3.95pm	4.08-4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.22	Previous
8.30 am	74.4	74.1
9.00 am	74.4	74.2
10.00 am	74.4	74.2
11.00 am	74.4	74.3
Noon	74.4	74.2
1.00 pm	74.4	74.2
2.00 pm	74.5	74.3
3.00 pm	74.5	74.3
4.00 pm	74.5	74.3

POUND SPOT- FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

FINANCIAL FUTURES

Long term gilts fall back

PRICES OF interest rate futures had a slightly weaker tone on the Liffe market in London yesterday. Long term gilt futures fell back, after showing good gains on Friday. Barclays de Zoete Wedd Futures pointed out that the contract penetrated strong resistance on Friday, and forecast there is scope for further gains towards the 121-24 level for March delivery. On the other hand BZW suggests there is likely to be strong resistance at this level, followed by a period of consolidation. March long gilts opened at 120-26, and rose to a peak of 121-16, before losing ground towards the close to touch 120-16 and finish at 120-19, compared with 121-03 on Friday.

The early strength of the gilt market was sparked by foreign demand, and a rise by sterling above the DM2.99 level. The latest CBI industrial trends survey, showing that many companies plan to increase prices over the next four months, had no impact on gilt futures, according to traders, but may have prevented further gains in the short sterling contract.

BZW said the three-month sterling contract for March has breached a key resistance level, at the top of the recent consolidation band. This suggests further gains towards 90.68/69 according to BZW, before further resistance is met at 90.74, where upward potential is limited.

March short sterling opened slightly easier at 90.59, and moved between 90.56 to 90.62, before closing in the middle of the day's range at 90.59, against 90.60 previously.

US Treasury bond futures traded quietly, but finished towards the bottom of the day's range, as the dollar fell below DM1.70 and Y129.50.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
114	638	700	0	22
116	438	523	0	45
118	238	355	0	113
120	38	239	0	161
122	0	147	126	305
124	0	106	326	428
126	0	41	526	563

Estimated volume total, Calls 2955 Puts 1087
Previous day's open int. Calls 48819 Puts 32130

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
86	654	645	32	115
88	517	521	59	155
90	347	400	125	234
92	228	255	206	325
94	128	203	306	437
96	51	127	429	561
98	27	61	605	731

Estimated volume total, Calls 12 Puts 60
Previous day's open int. Calls 651 Puts 183

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	1490	1545	0	55
16500	990	1122	0	132
17000	490	761	0	271
17500	0	479	10	489
18000	0	277	510	787
18500	0	147	1010	1157
19000	0	72	1510	1582

Estimated volume total, Calls 3 Puts 0
Previous day's open int. Calls 25 Puts 108

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8975	85	81	1	12
9000	61	62	2	18
9025	38	46	4	27
9050	20	33	11	39
9075	8	22	24	53
9100	3	14	44	70
9125	1	9	67	90

Estimated volume total, Calls 182 Puts 235
Previous day's open int. Calls 7109 Puts 4214

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9225	76	73	0	12
9250	52	54	1	18
9275	29	38	3	27
9300	11	26	10	40
9325	3	16	27	55
9350	1	10	50	74
9375	0	5	74	94

Estimated volume total, Calls 10 Puts 2
Previous day's open int. Calls 1563 Puts 1464

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
160	1630	—	0	—
165	1130	1130	1	16
170	630	647	18	77
175	241	312	132	242
180	51	116	442	546
185	5	32	896	962
190	0	6	1391	1436

Estimated volume total, Calls 0 Puts 50
Previous day's open int. Calls 336 Puts 647

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
1.700	6.15	6.65	7.00	7.45	0.10	0.95	1.55	2.30
1.725	3.95	4.75	5.30	5.85	0.30	1.65	2.30	3.15
1.750	2.10	3.20	3.85	4.40	1.00	2.40	3.35	4.25
1.775	0.95	2.05	2.70	3.35	2.90	3.75	4.75	5.65
1.800	0.35	1.30	1.90	2.50	4.15	5.40	6.35	7.20
1.825	0.10	0.85	1.25	1.90	6.35	7.35	8.20	8.95

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Calls-settlements May	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Apr	Puts-settlements May	Puts-settlements Jun
1.60	23.90	-	-	23.80	0.30	-	-	0.50
1.65	14.80	-	-	18.65	0.25	-	-	1.30
1.70	5.50	6.05	6.20	7.45	0.40	2.10	2.90	3.60
1.75	2.30	3.05	3.65	4.40	1.25	4.30	5.25	6.00
1.80	0.75	1.35	2.00	2.50	6.05	7.60	8.40	8.00
1.85	0.30	0.70	1.05	1.40	11.50	11.30	11.50	11.00

LONDON

CHICAGO

MONEY MARKETS

London rates ease

INTEREST RATES eased on the London money market, encouraged by an optimistic CBI industrial trends survey and the strength of the pound on the foreign exchanges.

Three-month interbank fell to 9¼-9⅛ p.c. from 9⅜-9¼ p.c., but dealers remained cautious about the general outlook on the level of UK wage settlements and high bank lending.

The Bank of England initially forecast a money market surplus of £250m, but revised this to a shortage of £250m at noon, and then to £300m in the afternoon. Total help of £234m was provided.

UK clearing bank base lending rate 9 per cent from February 2

Before lunch the authorities bought £13m bank bills in band 4 at 8⅞ p.c. In the afternoon the Bank of England purchased another £21m bills, by way of £7m bank bills in band 3 at 8⅞ p.c., and £14m bank bills in band 4 at 8⅞ p.c. Late assistance of £200m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £294m, with bank balances below target absorbing £35m. These were outweighed by Exchequer transactions adding £180m to liquidity, and a fall in the note circulation of £400m.

In Tokyo there was also a large surplus of credit yesterday, estimated at Y2,400bn. The Bank of Japan absorbed part of this by selling Y1,500bn of 60-day financing bills, under a repurchase agreement, maturing April 2.

In Frankfurt credit conditions were not particularly comfortable, but call money remained at 3.40 p.c., on optimism that the West German Bundesbank will supply liquidity through a securities repurchase agreement this week.

End of month pension payments are expected to increase pressure on the system, and the Bundesbank will also drain about DM4bn in the next few days, in repayment of money lent to the market last week via state owned banks. Much of this month's tightness has been caused by a cut of DM6bn in rediscount quotas, the amount banks can borrow at the Bundesbank's 2.50 p.c. discount rate, but dealers do not believe the central bank wishes to drive key interest rates higher, and will therefore ease pressure with an offer of a new securities pact today, at an unchanged rate of 3.25 p.c., for either 14 or 28 days.

£ WORLD VALUE OF THE POUND

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	Fl. 440	12	21.50	1	33	-	-	Fl. 446.60
GOLD C	Fl. 460	3	11	-	-	-	-	Fl. 446.60
GOLD C	Fl. 480	-	-	12	13.30	-	-	Fl. 446.60
GOLD C	Fl. 500	10	3.20 A	14	9.50	-	-	Fl. 446.60
GOLD C	Fl. 520	5	2.50	-	-	-	-	Fl. 446.60
GOLD P	Fl. 420	42	5.20	11	9	-	-	Fl. 446.60
GOLD P	Fl. 440	82	10	-	-	-	-	Fl. 446.60
GOLD P	Fl. 480	25	35.50	-	-	-	-	Fl. 446.60

Series		Mch. 88 Vol	Mch. 88 Last	Apr. 88 Vol	Apr. 88 Last	May 88 Vol	May 88 Last	Stock
EOE Index C	Fl. 180	8	12	3	14	-	-	Fl. 188.52
EOE Index C	Fl. 185	115	8	10	10.90	-	-	Fl. 188.52
EOE Index C	Fl. 190	44	5.30	-	-	20	11 A	Fl. 188.52
EOE Index C	Fl. 195	177	3.30	25	5.50	-	-	Fl. 188.52
EOE Index P	Fl. 170	19	1.20	12	2.20 B	-	-	Fl. 188.52
EOE Index P	Fl. 175	58	1.90	51	3.20 B	-	-	Fl. 188.52
EOE Index P	Fl. 180	102	3	4	5.30	-	-	Fl. 188.52
EOE Index P	Fl. 185	55	5.50	15	7.40	-	-	Fl. 188.52
EOE Index P	Fl. 190	56	7	10	9.50	42	12.80	Fl. 188.52
EOE Index P	Fl. 195	6	9.80	21	12.30	-	-	Fl. 188.52
$/Fl C	Fl. 185	13	6 A	-	-	-	-	Fl. 190.33
$/Fl C	Fl. 190	-	-	10	3.50 A	-	-	Fl. 190.33
$/Fl C	Fl. 200	10	0.50	-	-	-	-	Fl. 190.33
$/Fl P	Fl. 185	11	0.70	10	1.60	-	-	Fl. 190.33
$/Fl P	Fl. 190	31	2.30	-	-	-	-	Fl. 190.33
$/Fl P	Fl. 195	24	5.70 B	-	-	-	-	Fl. 190.33

Series		Apr. 88 Vol	Apr. 88 Last	Jul. 88 Vol	Jul. 88 Last	Oct. 88 Vol	Oct. 88 Last	Stock
ABN C	Fl. 40	356	1.40	32	2.10	187	2.70	Fl. 39.10
ABN P	Fl. 40	104	2	95	3.70	6	4.70 B	Fl. 39.10
AEGON C	Fl. 50	-	-	100	16.20 A	-	-	Fl. 65.30
AEGON P	Fl. 65	3	2.40	10	4	-	-	Fl. 65.30
AHOLD C	Fl. 70	3	5.40	-	-	-	-	Fl. 72.60
AHOLD P	Fl. 65	3	1	23	2	-	-	Fl. 72.60
AKZO C	Fl. 100	392	3.40	62	5.10	10	8 A	Fl. 97.10
AKZO P	Fl. 90	128	1.80	25	5.20	10	7	Fl. 97.10
AMEV C	Fl. 45	113	1.90	21	2.60	-	-	Fl. 44.30
AMEV P	Fl. 45	21	2.50	-	-	-	-	Fl. 44.30
AMRO C	Fl. 60	117	2.20	3	3	7	3.80	Fl. 60
AMRO P	Fl. 60	64	2	10	4	1	5.20	Fl. 60
ELSEVIER C	Fl. 50	177	2.20	65	3.50	20	4.10	Fl. 48.60
ELSEVIER P	Fl. 40	-	-	261	1.70	12	2.80	Fl. 48.60
GIST-BROC. C	Fl. 30	37	1.40	10	2.30	16	3.10 B	Fl. 29
GIST-BROC. P	Fl. 27.50	56	1	4	2.30	-	-	Fl. 29
HEINEKEN C	Fl. 120	48	4.90	-	-	-	-	Fl. 117.20
HEINEKEN P	Fl. 140	32	23	-	-	-	-	Fl. 117.20
HOOGOVENS C	Fl. 40	-	-	100	0.50	-	-	Fl. 28.20
HOOGOVENS P	Fl. 27.50	-	-	14	2.30	-	-	Fl. 28.20
KLM C	Fl. 35	1516	1.50	371	3	201	3.30	Fl. 34.40
KLM P	Fl. 30	74	0.40	48	1.10	47	2	Fl. 34.40
NEDLLOYD C	Fl. 210	120	5.50	-	-	-	-	Fl. 184.50
NEDLLOYD P	Fl. 140	29	2.20 B	-	-	-	-	Fl. 184.50
NAT.NED. C	Fl. 50	86	5.80	7	6.50	-	-	Fl. 55.40
NAT.NED. P	Fl. 55	57	2	4	3.90 A	2	4	Fl. 55.40
PHILIPS C	Fl. 30	195	0.60	92	1	12	1.80	Fl. 27.60
PHILIPS P	Fl. 25	510	0.90	70	1.60	-	-	Fl. 27.60
ROYAL DUTCH C	Fl. 220	587	5.90	117	8.10	6	10.50	Fl. 219.30
ROYAL DUTCH P	Fl. 210	396	3.20	67	8.70	5	12.50	Fl. 219.30
ROBECO C	Fl. 90	16	1.50	5	2.40	-	-	Fl. 87.60
ROBECO P	Fl. 95	15	7	-	-	-	-	Fl. 87.60
UNILEVER C	Fl. 100	303	13.50	4	16.50	20	17	Fl. 112
UNILEVER P	Fl. 110	21	4.20	105	7.90	5	9.10	Fl. 112

TOTAL VOLUME IN CONTRACTS : 19,759

A=Ask B=Bid C=Call P=Put

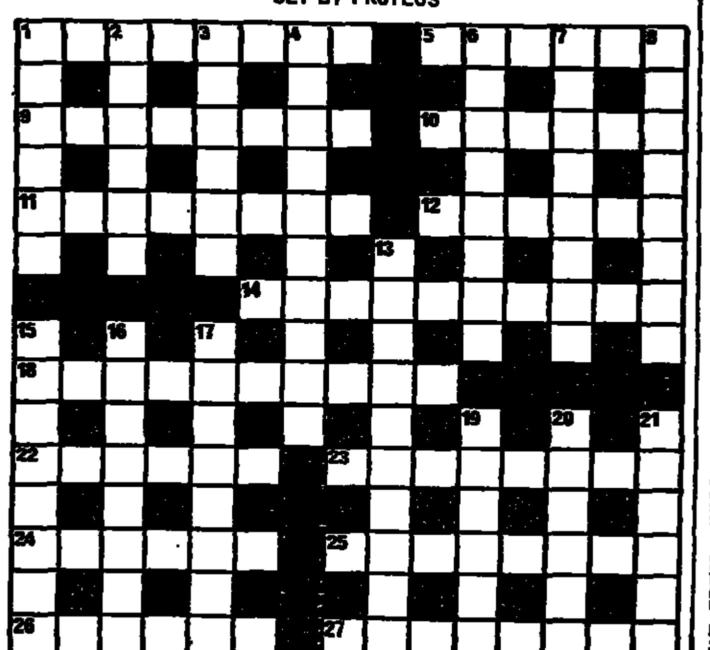
BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm.Bk.N.East	9	Norwich Gen. Trust	9
American Exp.Bk	9	Consolidated Cred	9	PK Finans. Int'l(UK)	9½
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	9½
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	♦10.2
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Banking Corp.	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Savewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.75% - 10%

FT CROSSWORD No.6,563

SET BY PROTEUS



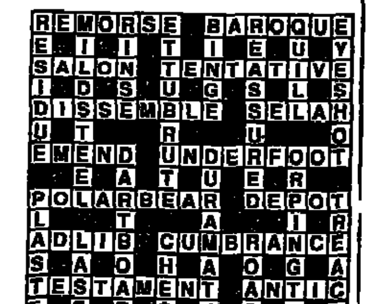
ACROSS

1 Academic robes fellow put on (8)
5 When bird gets behind (6)
9 Implement bringing pirate to account (8)
10 Gilbert Harding's girl (6)
11 Place too much importance on number of deliveries in given period (8)
12 Island where postman omits final collection? (6)
14 Songwriter who put liquor on cabbage (4,6)
18 Attractive head covering seen at village show (6,4)
22 He painted Scotsman on a horse (6)
23 Ordered to be specific (8)
24 Cooling drink for horse (6)
25 Vehicle-bearing (8)
26 Condition of one's possessions (6)
27 Representative of French ambassador (8)

DOWN

1 Animal writer (6)
2 Law upheld over permit case (6)
3 Having second thoughts about this place for ball (6)
4 Mark of possession of personalised address (10)
6 Chairman's child having heart condition? (8)
7 Calculate running times at first event (8)
8 Vessel on a shark trip (5,3)
13 Consider to be intentional (10)
15 Quietly object to small portion (8)
16 Theoretical summary (8)
17 Let Arabs train with crossbow (8)
19 Lawyers' ire over dramatist (6)
20 A headdress the French put over animal (6)
21 Stick soldier used on head perhaps (6)

Solution to Puzzle No.6,562



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	27.7	29.5	—	—
Do. Income	27.5	29.5	—	0.59
Scimitar European Acc	20.0	21.5	—	—
Do. Income	20.0	21.3xd	—	0.11
Scimitar UK Ed Inc Acc	35.1	37.0	—	—
Do. Income	32.8	34.6xd	—	5.83
UK Cap Gth Acc	22.1	23.5	—	0.75
Scimitar Pac Basin Acc	29.3	31.2	—	—
Scimitar Mngd Energy*	136.8	142.5xd	—	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1092

Intnl Income Units	126.8	134.9	—	3.50
Intnl Accum Units	194.0	206.4	—	3.50
UK General Acc	36.7	39.3	+0.5	3.98
UK General Inc	35.2	37.7	+0.4	3.98
American	27.0	28.9	+0.2	2.15
European	34.7	37.1	-0.2	1.26
Japan	57.7	61.7	-0.1	0.03
Technology	34.3	34.7	-0.3	2.29
Performance Trusts				
Far East Perf Tst	17.5	18.7	+0.2	2.80
High Inc Perf Tst Inc	23.0	24.6	+0.2	5.36
High Inc Perf Tst Acc	23.5	25.1	+0.2	5.36
Worldwide Eq Perf Tst	27.4	29.3	—	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	202.3	216.4	+2.3	2.74
Columbus (US)	130.7	139.8	+0.5	1.38
Marco Polo (Pac)	212.5	227.3	+0.9	0.32
Da Vinci (Eur)	219.4	234.7	-0.3	1.72
Drake (Wrd)	51.6	55.2	+0.4	2.48

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HR 041-248 6100

UK Equity	197.1	209.2	+1.9	2.87
UK Smlr. Cos. Equity	203.6	216.4	+1.7	2.06
UK Special Situations	57.8	61.5	—	3.26
Income Plus	51.1	54.4	+0.5	5.46
European	137.0	148.0	+0.2	1.70
Far Eastern	50.0	53.2	+1.1	2.50
Japanese T.	54.5	58.0	—	—
North American	112.7	119.9	+0.5	1.48
International Growth	107.3	114.2	+0.3	1.50
Worldwide Venture	51.5	54.8	+0.3	3.80

Scottish Provident Inv. Mgt. Ltd

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Feb 1	213.5	224.8	—	3.15

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	142.6	153.4	+1.9	1.42

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	58.2	61.7xd	+0.2	6.45
Accum Units	59.2	62.8	+0.2	—
Income	78.6	83.3	+0.4	5.16
Accum Units	78.6	83.3	+0.4	—
Smaller Co's	80.5	87.0xd	+0.6	1.87
Accum Units	83.4	88.0	+0.6	—
UK Growth	84.6	89.7	+1.0	2.91
Accum Units	84.6	89.7	+1.0	—
Pacific Gold Tst Acc	47.6	50.5	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	54.8	58.3	+0.4	1.85
Technical Analysis Fd	48.4	51.5	+0.4	3.53

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers; Henderson Crosthwaite Ltd

Friars Hse Cap Fd	171.6	182.6	—	1.46
Friars Hse Inc Fd	148.6	156.4	—	3.36

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC 01-534 5544

United Charities	165.3	175.8	+1.1	4.61

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Glenfriars	179.1	190.6	—	1.61
(Accum Units)	182.6	194.3	—	—
Far East & Gen	54.4	57.9	—	—
(Accum Units)	54.4	57.9	—	—
Manor Portfolio	64.789	68.490xd	-0.143	3.08
(Accum Units)	66.504	68.290	-0.147	—
American & Gen	56.8	60.4	+0.3	2.03
(Accum Units)	57.5	61.2	+0.2	—
Growth	206.0	219.1	-1.2	1.98
(Accum Units)	308.9	328.6	-1.8	—
High Yield	256.9	273.3xd	-1.7	4.42
(Accum Units)	275.5	293.1	-1.9	—
Special Sits	50.2	53.4xd	-0.9	2.06
(Accum Units)	51.6	55.1	-0.9	—

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	365.4	384.7	—	–
Eb'r Ph. Eq.	334.1	356.5	—	–
Pensions Plan Funds				
Phoenix				
UK Equity Acc.	157.3	165.5	—	–
International Acc.	125.0	131.5	—	–
Property Acc.	123.3	129.7	—	–
Fixed Interest Acc.	151.6	159.5	—	–
Money Acc.	136.5	143.6	—	–
Bldg. Soc. Link Acc.	133.4	140.4	—	–
Special Mngd. Acc.	141.6	149.0	—	–
Phoenix/Framlington				
Intl Growth Acc.	87.4	92.0	—	–
Amer. & Gen. Acc.	80.9	85.1	—	–
Capital Tst. Acc.	168.5	177.3	—	–
Japan & Gen Acc.	181.9	191.4	—	–
American Turn. Acc.	81.3	85.5	—	–
Recovery Tst. Acc.	163.7	172.3	—	–
Special Mngd Acc.	140.0	147.3	—	–
Phoenix/GT				
International Acc.	121.5	127.8	—	–
US & General Acc.	89.9	94.6	—	–
Amer Spec Sits Acc.	62.5	65.7	—	–
Japan & General Acc.	173.9	183.0	—	–
Far East & Gen. Acc.	137.3	144.5	—	–
UK Capital Acc.	166.1	174.8	—	–
European Acc.	134.8	141.8	—	–
Special Mngd. Acc.	122.5	128.9	—	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	258.3	271.9	—	–
Max Pen. Inc & Cap Fd.	327.1	344.4	—	–
Money Fund	111.3	117.2	—	–
Pens. Mngd Fd (Inc)	79.3	83.5	—	–
Pens Mngd Fd (Acc)	89.0	93.7	—	–
Pens FT30 Fd (Inc)	123.7	130.3	—	–
Pens FT30 Fd (Acc)	138.7	146.0	—	–
Pens O'seas MgFd (Inc)	54.7	57.6	—	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund
Managed Feb 17 | 193.2 | 203.3 | — | –

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	426.0
Equity Fd.	656.6
Intnl. Fd.	302.9
Fixed Int. Fd.	363.6
Prop. Fd.	302.9
Cash Fd.	234.0
Pacific Basin Fd.	167.7
North American Fd.	123.0
European Fd.	130.4
Holborn Balanced Gwth Fd	96.9
Holborn Strategic Gwth Fd	95.9

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	453.5
Equity	638.5
Global Equity	191.5
Fixed Interest	368.5
Property	302.8
Cash	137.6
Index Linked Gilt	163.6
Guaranteed	90.6
International Money	107.5
North American Fd.	94.2
Japanese Fund	122.8
European Fund	69.6
Special Situations Fd.	93.1
Communications Fund	77.0
Smaller Cos Fund	92.4

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99	Exch 10½pc '88	100	—	10.47	9.09
101	98	Treas 9¾pc Cv '88	100	—	9.74	9.12
98	93	Transport 3pc '78–88	98	+	3.04	6.69
101	98	Treas. 9½pc '88	100	—	9.49	9.23
105	101	Treas 11½pc 1989	102xd	—	11.27	9.30
102	97	Treas 9½pc Cnv 1989	100	–	9.48	9.26
96	89	Treas 3pc 1989	95	+	3.13	6.81
104	99	Treas 10½pc 1989	101	—	10.37	9.45
103	98	Exch 10pc 1989	100	–	9.93	9.43
105	100	Exch 11pc 1989	102xd	+	10.75	9.40
96	89	Treas 5pc 1986–89	95	+	5.22	7.69
108	99	Exch 10¼pcCv '89	103	+	9.96	8.40
111	104	Treas 13pc 1990‡‡	106	–	12.25	9.36
106	100	Exch 11pc 1990‡‡	102	+	10.70	9.37
110	103	Exch. 12½pc 1990	105xd	+	11.82	9.80
92	84	Treas. 3pc 1990	91	+	3.27	7.11
100	93	Treas 8¼pc 1987–90‡‡	98	+	8.40	9.09
101	98	Treas. 8pc Cv 1990	100	+	7.98	7.89
105	97	Treas. 10pcCv 1990	101	+	9.87	9.42
91	81	Exch 2½pc 1990	89	+	2.81	6.91
110	102	Treas 11¾pc 1991	105	+	11.11	9.41
95	87	Funding 5¾pc '87–91‡‡	93	+	6.17	8.29
90	80	Treas. 3pc 1991	87	+	3.42	7.32
110	98	Treas 10pc Cv '91 ‡‡	103	+	9.67	8.81
109	101	Exch. 11pc 1991	104	+	10.50	9.41
99	91	Treas. 8pc 1991	95	+	8.35	9.31
116	107	Treas 12¾pc 1992‡‡	110	+	11.53	9.43
106	97	Treas 10pc 1992	102xd	–	9.81	9.41
99	90	Treas. 8pc 1992 ‡‡	95	–	8.38	9.33
108	99	Treas 10½pc Cv 1992‡‡	103	–	10.12	9.40
86	79	Treas. 3pc 1992	83	+	3.58	7.45
115	105	Exch. 12¼pc '92	110xd	—	11.13	9.49
121	110	Exch 13½pc 1992	114xd	–	11.78	9.49

Five to Fifteen Years

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
107	97	Treas 10pc 1993‡‡	102	—	9.78	9.43
118	107	Treas 12½pc 1993‡‡	112	+	11.12	9.49
95	82	Funding 6pc 1993‡‡	91xd	+	6.54	7.85
125	113	Treas 13¾pc 1993‡‡	118	+	11.63	9.55
129	117	Treas 14½pc 1994‡‡	122xd	–	11.85	9.53
124	112	Exch 13½pc 1994	117	—	11.48	9.63
107	97	Treas. 10pc Ln. 1994‡‡	102	–	9.79	9.44
120	106	Exch. 12½pc 1994	113xd	+	10.99	9.61
103	92	Treas 9pc 1994‡‡	98	+	9.15	9.29
118	105	Treas 12pc 1995	111	+	10.73	9.61
84	76	Exch 3pc Gas 90–95	82	–	3.65	6.10
109	97	Exch. 10¼pc 1995	103	–	9.88	9.53
123	110	Treas 12¾pc 1995‡‡	116	–	10.92	9.61
130	116	Treas. 14pc '96	123	+	11.39	9.76
102	92	Treas 9pc 1992–96‡‡	98xd	+	9.14	9.28
139	123	Treas 15¼pc 1996‡‡	130	–	11.68	9.73
127	113	Exch 13¼pc 1996‡‡	120	—	11.02	9.62
89	81	Redemption 3pc 1986–96	85	–	3.53	5.18
108	95	Conversion 10pc 1996	102	–	9.76	9.56
128	113	Treas 13¼pc 1997‡‡	121	–	10.94	9.65
111	98	Exch 10½pc 1997	105xd	—	9.96	9.57
101	88	Treas 8¾pc 1997‡‡	95xd	–	9.13	9.41
46	42	Tr 8¾pc Ln "C" 1997 (50pd)	45	–	9.13	9.41
140	123	Exch 15pc 1997	131	+	11.40	9.85
106	93	Exch. 9¾pc 1998	101	+	9.63	9.55
88	78	Treas 6¾pc 1995–98‡‡	84	+	7.99	9.10
145	128	Treas. 15½pc '98‡‡	137xd	+	11.31	9.80
122	107	Exch. 12pc 1998	115	+	10.40	9.66
106	92	Treas 9½pc 1999‡‡	100	–	10.40	9.67
124	109	Exch. 12¼pc 1999	117xd	+	10.43	9.65
113	98	Treas. 10½pc 1999	106	+	9.86	9.54
111	96	Conversion 10¼pc 1999	104	+	9.77	9.53
100	86	Treas. 8½pc Ln 2000‡‡	94	+	9.00	9.28
103	89	Conversion 9pc 2000‡‡	97xd	+	9.23	9.35
131	114	Treas. 13pc 2000	123	+	10.52	9.69
110	95	Treas 10pc 2001	104xd	+	9.61	9.45
134	118	Treas. 14pc '98–01	126	+	11.05	9.80
108	93	Conversion 9¾pc 2001	102	+	9.52	9.42
122	107	Exch. 12pc '99–02	115	+	10.40	9.67
110	96	Conversion 10pc 2002	104	+	9.57	9.40
109	94	Treas 9¾pc 2002	102xd	+	9.48	9.39
103	89	Exch. 9pc 2002	97	+	9.25	9.39

Over Fifteen Years

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
136	119	Treas. 13¾pc 2000–03	128	–	10.70	9.73
111	96	Treas 10pc 2003	105xd		9.50	9.34
121	105	Treas. 11½pc 2001–04	114xd	–	10.04	9.53
111	96	Treas. 10pc 2004	105	+	9.48	9.33
59	51	Funding 3½pc '99–04	57	—	6.09	8.29
107	92	Conversion 9½pc 2004	101	+	9.35	9.29
107	92	Conversion 9½pc 2005	101	+	9.32	9.27
116	101	Exch.10½pc 2005	110xd	+	9.51	9.28
132	115	Treas. 12½pc 2003–05	125	–	9.99	9.40
94	81	Treas. 8pc 2002–06‡‡	89	–	8.94	9.18
110	95	Conversion 9¾pc 2006	104	—	9.36	9.27
126	108	Treas. 11¾pc 2003–07	118	–	9.91	9.39
99	85	Treas 8½pc 2007 ‡‡	94	+	9.01	9.12
142	123	Treas. 13½pc '04–08	133xd	–	10.08	9.37
104	89	Treas. 9pc 2008 ‡‡	98	+	9.11	9.12
102	90	Treas. 9pc Ln 2008 "A"	98	+	9.11	9.12
94	81	Treas 8pc 2009	89xd	–	8.90	9.08

BRITISH FUNDS — Contd

FOREIGN BONDS & RAILS

AMERICANS

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

صكامن الاهل

LONDON SHARE SERVICE

INSURANCES – Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
485	155	Abelscot Group 10p	155	-10	3.5	2.7	3.1	16.7
93	19	Aberdeen Am Per 10p	37xr		–	–	–	–
150	100	Allied Ins. Brokers	105		N4.0	2.5	5.2	16.2
83	26	Americorp Energy 10p	26	-4	–	–	–	–
111	63	Andaman Res. 10p	66		–	–	–	–
285	102	Broadcast Comms	175		–	–	–	–
192	61	Camotech 10p	101		2.06	1.8	2.8	28.0
103	45	Catalyst Comms. 5p	58	+2	–	–	–	24.1
200	110	Chelsea Artisans 5p	120		–	–	–	16.1
108	37	ChemEx Intl	48		–	–	–	–
180	65	Comac Group 5p	68		U.2	–	2.4	–
151	34	Corton Beach 10p	58		0.4	6.3	0.9	22.1
228	123	Crown Eyeglass 5p	147		–	–	–	–
*62	6	Eglinton Expln.I.R.5p	14½	-½	–	–	–	–
41	7	Do. Warrants	8		–	–	–	–
186	65	Far East Res. 10p	143		–	–	–	–
110	30	Gardner (J.) 5p	70		L1.25	ϕ	2.4	ϕ
53	19	Honorbilt Group 5p	28	+4	–	–	–	23.6
82	41	Kemp (P.E.) 5p	50		–	–	–	–
133	56	Leading Leisure 5p	84		0.9	3.1	1.5	24.3
95	45	Lynx Tech. 5p	45		b–	–	–	5.2
133	95	M L Laboratories 1p	130	+5	–	–	–	–
180	87	Meduace 10p	112	-3	–	–	–	–
38	23	Norton Group 5p	26		–	–	–	–
98	38	♥Ovoca Gold IR 2p	40		–	–	–	–
48	36	Propeller 1p	36		W–	–	–	11.3
*82	13	Publishing Hldgs. 5p	17xr	+3	–	–	–	10.2
128	70	Seacon Hldgs.	73	+3	–	–	–	11.1
27	18	Staks Hldgs. 5p	25	-1	–	–	–	63.9
4½	3	Swanyard Studios 1p	3¼		–	–	–	18.5
87	38	Theme Holdings	45		1.0	1.9	3.0	24.1
36	28	Tomorrows Leisure 20p	38	-1	–	–	–	12.0
210	125	UPL Group 10p	125		L2.41	2.8	2.6	18.7
140	103	Unit Group	140		R4.6	2.5	4.5	(10.0)
85	85	Video Tape Recording 5p	85		L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- \# Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	67	
Craig & Rose £1	663	
Finlay Pkg. 5p	77	
Holt (Jos) 25p	£11½	
Arnotts	302	
CPI Hldgs.	82	+2
Carrol Inds.	153	
Hall (R. & H.)	108	
Heiton Hldgs.	45	
Irish Ropes	123	
Unidare	305	

IRISH

Fund 11¾% 1988	£100⅞	
Nat. 9¾% 84/89	£100⅜	
[illegible]	[illegible]	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	120
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	108
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 8	Feb 18	Feb 19	Feb 29
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28

*New time dealings may take place from 9.00 am two business days earlier.

Turnover remains thin as equities open trading account with widespread gains

THE UK STOCK market, encouraged both by the latest business opinion survey by the Confederation of British Industry and by renewed demand from overseas for British Government bonds, moved up smartly yesterday, but remained unable to attract significant institutional interest. In the Gilt-edged sector, however, buyers hit the market early, taking out more than £300m of the £400m tranchettes announced on Friday, before backing away again to leave bonds with small losses at the end of the day.

Equities started the new trading account, the last full account before Budget Day, in good form, with the international leaders pushing ahead despite a strong pound. The City responded favourably to the CBI's report from British Industry of buoyant home demand and expanding export order books. But the early mark-up in share prices failed to inspire investors.

An early gain of 19 points in the FT-SE 100 left the Index shying away from the 1750 level. Prices topped off before the close as low turnover levels disclosed the paucity of genuine investment interest.

At the close, the FT-SE 100 Index was 17.4 points up at 1747.2. Seaq turnover of 323.9m shares remained at the low end of recent daily trading averages.

Traders expressed disappointment with the "pitiful" turnover in the equity market, where major indices were distorted to some extent as ex-dividend prices were marked against such leading stocks as **Midland Bank**, **British Petroleum** and **Grand Metropolitan**.

The market is still in the ealy stages of the corporate reporting season, which this week features such major names as **ICI**, with full year figures on Thursday, **British Telecom**, third-quarter results on Thursday and **Hanson**, quarterly statement on Wednesday. While some analysts are hopeful of a pre-Budget rally, others warn that the lack of discernible institutional interest will keep the equity trading range narrow.

However, fears of an early hike in UK base rates, reawakened by the latest rise in UK average earning and bank lending figures, receded somewhat as the pound moved above DM 2.99 once more. BZW, in its latest Exchange rate Monitor, argued the likelihood that a rate increase will be postponed until after Budget Day.

In the bond market, two out of the three tranchettes announced on Friday were taken out as soon as they were formally offered to the market. While some foreign demand was present, traders commented that London securities houses also wanted stock to cover bear positions created by selling to overseas clients last week.

The £200m of 10 pc Treasury '92 and the £100m of 9½pc Treasury '99 - a favourite with Japanese investors – were both taken out. A portion of the £100m 2½ pc Index-Linked Treasury '13 also went at 88 5/16, and the market assumed that the next sale of this stock would be at 88⅞.

The performance of the market was slightly erratic, however. Bonds opened with losses of ¼, rebounding as the tranchettes were bought, to show net gains of ½ at best. Prices subsided in late afternoon, and the market closed weakly with net falls of ¼ at the long end and ⅛ among the mediums. Index-linked, after pursuing a similar trend, ended a touch off on the day.

Yesterday's check in the bond market advance was largely technical, according to market traders. "After all, the market took out £300m plus of stock on top of two good buying days", commented one dealer at a large US bank.

Yields of 9.4 pc at the long end are still very attractive measured against other world bond markets, and also against the UK equity market which offers a dividend yield of only around 4.5 pc on blue chip stocks.

Racal outperformed the rest of the top electronics issues and put on 6½ to 213½p, after 216p, after a turnover of more than 7m shares.

The latest strength in the share price – notably strong following "new–time" purchases on Friday – followed news that the company is participating in a consortium operating France's first and only analogue cellular radio service.

Vickers' preliminary results, showing pre–tax profits of £62.6m against last time's £54m and market expectations that had ranged up to £62m, were given an enthusiastic reception by dealers who immediately marked the shares higher.

The shares' upward momentum was given a further strong boost in mid–morning when analysts returned from the post-figures meeting with the company sufficiently impressed to lift their forecasts for the current year to around £70m with a handful of the more optimisitic brokers going for around £71m. At the close Vickers shares showed a net gain of 10½ at 167p.

Grand Metropolitan, the drinks and hotels group, were effectively unchanged as the market expressed disappointment with the £80m sale price for the 700 UK pubs. One or two market pundits thought the pubs could fetch £130m.

Grand Met considers the sale figure in line with its own expectations. There are three separate buyers, Brent Walker, the entertainments group, Heron International, the property company, and Gibbs Mew the small brewer. Grand Metroplitan closed at 456p xd.

The oil sector took a breather after the intense activity of the past few months. Bid favourite **Ultramar** showed a turnover of 3.2m, but were held back by selling prompted by adverse Press mention and closed little changed at 280p.

BP "new" were unaltered at 64p, ex–dividend, after a turnover of 11m while the "old" settled at 248p ex–dividend on a turnover of 2.2m. Switching out of BP into **Shell** helped the latter move up ⅛ to £10 11/16.

The banks were mixed with dealers awaiting preliminary results from **NatWest** expected today; the latter dipped 5 to 543p as forecasts of the figures ranged from around £730m to £880m. **Barclays**, reporting on Wednesday, managed a 5 gain at 469p but **Midland** lost 3½ to 383p ex–dividend after securities house Morgan Grenfell issued a recommendation for clients to switch out of the stock and into Lloyds.

Composite insurances were firmer ahead of the first of the important results from the sector – those of the **Royal group** —expected on Thursday.

Analysts continued to wax confident on prospects for the Drinks sector but investors were slow to heed the advice. **Guinness**, which began trading in Dublin yesterday after a gap of fifteen years, were unchanged at 276p but **Bass**, currently favoured by many sector researchers, rose 9 to 799p. **Whitbread** earned the distinction of the most active stock, the "A" shares rising 4 to 280p on news of the joint venture to develop Denver Steak and Lunc Restaurants in Germany.

Blue Circle, which last week failed in its bid for Birmid Qualcast, gained 10 to 433p as traded option activity fuelled speculation that the company may itself attract a predator; Blue Circle was recently the subject of an abortive "dawn raid" by an unnamed party. **Rugby** were bought in sympathy with BCI and rose 9 to 242p while **Redland** attracted a turnover of some 1.8m shares and moved up 7 to 402p. **Marley** gained 8 to 150p with securities house Smith New Court reportedly keen buyers.

Baldwin advanced 10 to 95p awaiting today's half-year figures and **Persimmon** gained 15 to 154p in reply to an investment recommendation.

ICI encountered good support ahead of Thursday's preliminary figures and closed ¼ higher at £10¾. **Yorkshire Chemicals** firmed 7 to 247p in front of trading news, while **Allied Colloids**, 4 dearer at 129p, and **Wardle Storeys**, 20 higher at 555p, benefited from brokers' recommendations.

Dealers reported a disappointingly low level of business in the stores sector. But they said there was persistent small buying of most the leaders in the last full trading account ahead of a Budget expected to include tax cuts.

Marks and Spencer edged up 4½ to 179p in the wake of the joint venture with Tesco. **Woolworth** were particularly wanted, and moved up 8 to 284p. **Ward White** added a similar amount to 323p after Press comment suggesting the possible sale of its near 30 per cent stake in **Elys Wimbledon**; the latter jumped 110 to 705p on the story. **Body Shop** gained 10 at 925p in front of Friday's annual meeting.

British Telecom edged up 3 to 243p on a turnover of 7.6m shares with buyers chasing the stock ahead of third quarter results scheduled for Thursday; Flemings are forecasting £580m pre–tax and BZW £580m. But the rise in the shares was restrained somewhat be a recommendation by James Dodd of Citicorp Scrimgeour Vickers for clients to switch out of BT into **Cable and Wireless**; the latter raced up 15 to 357p on turnover of 3.3m ahead of the announcement of the Chinese cable TV joint venture with Hutchinson Whampoa. Buying interest was also spurred by the forthcoming analysts visit to C & W's Hong Kong operations.

Demand ahead of the March 9 preliminary results boosted **BICC** 11 to 334p, while **George H Scholes** added 10 to 455p after the 18 per cent profits rise and acquisition of H & L Appleby.

Cambridge Instrument, suspended last week at 43p, were requoted at 34p after the announcement that profits for the year to end–March will be "very substantially" below lastyear's figure, but later rallied to close at 40p following the emergence of bid speculation.

Food Manufacturers attracted selective demand ahead of the forthcoming dividend season which leads off with **Cadbury Schweppes** whose annual results are due on March 3. **Cadbury** edged up 4½ to 251p, while **Hillsdown**, preliminary figures scheduled for March 9, weighed in with a gain of 10 at 287p. Securities house BZW rate Hillsdown a buy and forecast profits for the year of £105m against £54.9m. **Tate and Lyle**, in which Hillsdown was recently revealed as a small shareholder, put on 15 to 819p, while old takeover favourite **Ranks Hovis McDougall** revived with an improvement of 5 at 325p. Food Retailers featured **Tesco**, up 4 at 152p on a turnover of some 3½m shares reflecting news of the out–of–town stores joint venture with Marks and Spencer.

Wellcome were once again easily the best performer among international stocks, the price rising a further 19 to 454p on a turnover of 3.2m shares; buyers continued to respond to latest reports that its anti/AIDS drug Retrovir could be more widely effective on AIDS sufferers, including those infected with the virus but showing no symptoms.

International conglomerates were given a mild boost by a favourable Warburg Securities review, **BTR** adding 4 to 260p, **BET** rising 4 to 246p and **Hanson** improving a couple of pence to 135p; Hanson's first-quarter figures are due tomorrow. **Low and Bonar** rose 8 to 228p on the proposed offer by the company for the outstanding 32.6 per cent minority of its Canadian packaging arm Bonar Inc. for C$38.75m. **Unilever**, preliminary figures due on March 1, moved up 3 to 493p; BZW are forecasting £1,380m for the year against an actual £1,143 last time. **Rank Organisation** were a strong market and closed 13½ higher at 636p xd following a bear squeeze, while **Blue Arrow**, on a turnover of nearly 10m shares, closed 2 better at 95p. **Amari** firmed 4 afresh to 165p as Suter further increased its stake in the company, while **Pilkington** gained 6 to 220p helped by traded option business.

A BZW recommendation coupled with press mention pulled in a few buyers of **Lucas Industries**, up 5 at 602p, while **Western Motor** moved 10 higher to 468p on newsletter advice of "an investment buy with possible quick short term gains to be made ahead of the results in April".

Favourable weekend mention sent several Newspaper and Printing issues higher. **Reed International**, a current speculative favourite, rose 6 to 413p while **BPP** gained 10 to 290p, the latter awaiting tomorrow's preliminary statement. **Blenheim Exhibitions** put on 10 to 480p and **Fitch & Co.**, recently appointed to smarten up the new Lloyd's of London building, improved to 333p. Elsewhere, **Euromoney Publications** jumped 15 to 185p and **International Business Communications** 8 to 108p.

More O'Ferrall stood out among UK agencies following a bullish review by Mr Chris Akers of Citicorp Scrimgeour Vickers. Mr Akers believes the stock deserves a higher rating and has upgraded his 1987 profits forecast to £7.0m. He also drew attention to the very attractive yield on the shares, which closed 10 higher at 185p. **Saatchi & Saatchi** led the way elsewhere in the sector, rising 13 to 423p while **Lowe Howard-Spink** spurted 12 to 353p and **Geers Gross** rallied 7 to 43p. A US report that **Bunzl** was ready to launch a bid for Seal Inc., at $12 a share made little impression on the former, which settled 4 up at 169p.

Properties, boosted recently by several bullish sector forecasts, took last week's hefty gains a stage further. **Land Securities** remained at the forefront, rising 13 more to 514p. **MEPC** gained a similar amount at 486p, while rises of around 8 were seen in **Hammerson A** 546p, and **Great Portland Estates**, 304p. **Greycoat** rose 9 to 341p in response to Press comment, while **Kentish Properties** gained 9 to 114p following property sale news.

M & G, the unit trust and fund management group, bounded higher again as financial commentators made known their views on recent developments, laying particular emphasis on the share stakes disclosed by domestic and overseas groups. Fresh buying found the market short of stock and M & G raced higher in relatively modest trading to close 28 up at 332p; one leading investment house was aggressively seeking to obtain stock. **Abingworth** were also supported and gained 12 to 250p.

News of further expansion in the Continental citrus fruit and fresh produce industry stimulated **Polly Peck** and the shares advanced 6 to 298p.

Traded option business improved marginally, the total number of contracts rising to 23,963 comprising 17,407 calls and 6,556 puts. The FTSE contract attracted 1,459 calls and 2,331 puts.

Traditional Options

- First dealings Feb 15
- Last dealings Feb 26
- Last declarations May 19
- For Settlement May 31

For rate indications see end of London Share Service

Money was given for the call of **Camford, Hartwell, Sound Diffusion, Ultramar, North Kalgurli, Ryan Hotels, Inoco, Floyd Oil, Bejam, Walter Lawrence, Charles Baynes, Waterford Glass units, Control Securities, Barratt Devs, Astra Trust, Bryant Holdings** and **MBS**. A put was arranged in Sound Diffusion but no doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Feb. 22	Feb. 19	Feb. 18	Feb. 17	Feb. 16	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	89.46	89.50	88.78	88.76	88.47	87.60	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.58	95.33	95.13	95.41	95.35	93.18	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1396.3	1382.6	1389.4	1396.4	1386.9	1556.9	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	263.5	267.3	270.9	268.9	261.7	313.7	497.5 (4/8/87)	241.7 (4/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.46	4.51	4.48	4.45	4.40	3.65				
Earnings Yld. %(full)	11.28	11.39	11.29	11.22	11.32	8.57				
P/E Ratio (net)(*)	10.84	10.73	10.82	10.89	10.79	14.30				
SEAQ Bargains (5pm)	24,151	26,331	23,488	21,871	20,740	53,082				
Equity Turnover (£m)	-	1105.07	1380.43	1141.23	1007.54	1401.01				
Equity Bargains	-	30,073	27,314	25,189	23,998	67,380				
Shares Traded (ml)	-	395.4	411.6	347.3	308.1	588.3				

S.E ACTIVITY

Indices	Feb.19	Feb.18
Gilt Edged Bargains	127.2	119.6
Equity Bargains	194.9	177.0
Equity Value	2233.6	2790.2
5-Day average		
Gilt Edged Bargains	119.3	118.9
Equity Bargains	170.0	160.5
Equity Value	2183.0	2122.9

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1387.1	1392.6	1397.0	1396.1	1397.1	1398.2	1397.2	1396.6

Day's High 1398.5 Day's low 1386.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.73.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (8).

BRITISH FUNDS (1) Transport 3pc '78-88, AMERICANS (1) Premark Intl., BANKS (1) Moorgate Merc., FOODS (1) Carr's Milling, INDUSTRIALS (2) Antler, Mayne Nickless, TRUSTS (1) Assoc-Henriques, OILS (1) Tricentrol 11pc..

NEW LOWS (13).

AMERICANS (1) Damson Oil, STORES (2) Chelsea Man, Glamar Group, ELECTRICALS (2) Admiral Computing, Ross, ENGINEERING (1) TACE, INDUSTRIALS (3) Aberloyle Hldgs, DPCE, SAC Intl., MOTORS (1) Graham Motor, TRUSTS (2) CDFC Tst 5½pc, Scot Nat Wrrnts., THIRD MARKET (1) Amercoeur Energy..

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday February 22 1988

[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Year ago
FT-SE 100 SHARE INDEX ♦	1747.2	+17.4	1749.2	1732.3	1729.8	1736.1	1748.1	1734.6	1739.2	1939.7

FIXED INTEREST

PRICE INDICES	Mon Feb 22	Day's change %	Fri Feb 19	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	122.35	+0.06	122.61	0.33	2.00
2 5-15 years	139.68	+0.07	139.75	0.17	2.14
3 Over 15 years	149.66	+0.03	149.61	-	1.92
4 Irredeemables	165.86	-0.36	166.46	-	0.00
5 All stocks	136.57	+0.06	136.69	0.20	2.05
Index-Linked					
6 5 years	124.16	-0.05	124.23	-	0.51
7 Over 5 years	116.98	-0.19	117.21	-	0.67
8 All stocks	117.41	-0.18	117.62	-	0.66
9 Debentures & Loans	117.66	+0.72	117.64	0.83	1.56
10 Preference	86.81	-0.12	87.02	0.11	0.53

AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 22	Fri Feb 19	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.92	8.94	8.64
2	15 years	9.19	9.20	9.46
3	25 years	9.10	9.18	9.47
4 Medium Coupons	5 years	9.46	9.46	9.82
5	15 years	9.40	9.41	9.69
6	25 years	9.26	9.26	9.57
7 High Coupons	5 years	9.56	9.57	9.85
8	15 years	9.56	9.56	9.85
9	25 years	9.30	9.28	9.60
10 Irredeemables†		9.24	9.22	9.39
Index-Linked				
11 Inflation rate 5%	5yrs.	2.47	2.44	2.75
12 Inflation rate 5%	Over 5 yrs.	3.83	3.82	3.37
13 Inflation rate 10%	5 yrs.	1.47	1.44	1.05
14 Inflation rate 10%	Over 5 yrs.	3.66	3.65	3.21
15 Debs & Loans	5 years	10.91	10.93	10.64
16	15 years	10.84	10.90	10.60
17	25 years	10.84	10.90	10.56
18 Preference†		10.70	10.47	11.17

♦Opening Index 1732.3; 10 am 1741.1; 11 am 1747.6; Noon 1745.8; 1 pm 1746.8; 2 pm 1748.2; 3 pm 1747.6; 3.30 pm 1745.8; 4 pm 1746.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Rank 6¼% Pref. has been deleted. Beazer(C.H.)Hldgs. has changed to Beazer.

LONDON TRADED OPTIONS

[illegible]

February 22 Total Contracts 23,963 Calls 17,407 Puts 6,556
FT-SE Index Calls 1,459 Puts 2,331
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,000	Enterprise Oil	765	Prudential	189
Allied-Lyons	766	Fisons	1,800	Racal	7,200
Amstrad	3,800	General Accident	386	Rank Org.	868
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wireless	3,300	Marks & Spencer	2,600	TSB	2,600
Cadbury Schweppes	1,300	Maxwell Comm.	583	Tarmac	1,600
Coats Viyella	1,700	Metal Box	229	Tesco	3,600
Commercial Union	551	Midland Bank	1,200	THORN EMI	131
Cons. Gold	75	NatWest Bank	1,400	Trafalgar House	376
Cookson	613	Next	1,500	Trusthouse Forte	591
Courtaulds	1,000	Northern Foods	1,000	Ultramar	3,200
Dalgety	284	Pearson	240	Unilever	716
Dee Corporation	5,900	Pearl Group	125	United Biscuits	660
Dixons Group	497	P & O	522	Wellcome	3,200
English China Clays	775	Pilkington	1,200	Whitbread A	1,700
		Plessey	1,100	Woolworth	1,700

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	84	18	12
Corporations, Dominion and Foreign Bonds	17	3	32
Industrials	649	202	708
Financial and Properties	252	105	282
Oils	35	15	62
Plantations	2	2	9
Mines	50	57	92
Others	91	60	104
Totals	1,180	462	1,301

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡72	F.P.	12/2	81	70	Atlantic Securities 5p	80					
330	120	-	92	64	British Petroleum	64	-7				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO

Prices at 2.30pm February 22

Sales	Stock	High	Low	Close	Chng
4150	AMCA Int	$6⅝	6⅝	6⅝	+⅛
2311	Abitibi Pr	$24¼	24	24	−⅛
2000	Agnico E	$17⅛	17	17⅛	+⅛
112216	Albrta En	$18⅝	18	18⅝	−⅛
5025	Albrta N	$14¾	14¾	14¾	
232510	Alcan	$35½	35	35⅛	+⅛
1737	Algoma St	$17¼	16⅞	16⅞	−⅜
37260	A Barrick	$26	25½	25⅞	+½
1200	Asamera	$8¼	8⅛	8¼	+⅛
2500	Atco I f	$9⅞	9¾	9¾	−¼
108454	BCE Inc	$38¼	38	38⅛	−⅛
54927	BCE D	278	270	270	−8
1685	BC Sugar A	$29	28¾	28¾	−¼
9150	BGR A	$9½	9⅜	9½	
3000	BP Canada	$18¼	18¼	18¼	
38252	Bk Montl	$26	25⅝	26	+⅛
107363	Bk NScot	$12¼	12	12⅛	+⅛
29900	Baton	$13	12¾	13	+⅜
42950	Belmoral	219	210	210	−5
400	Bombdr B	$8⅝	8½	8½	
30563	Bow Valy	$15⅞	15¾	15¾	−⅛
7800	Bramalea	$21¾	21¾	21¾	
28150	Brascan A	$26⅝	25⅞	26⅝	+¼
70800	Brkwater	485	480	480	−10
5163	BC ForP	$19⅛	19	19⅛	+⅛
2350	BC Res	88	88	88	

[illegible]

Sales	Stock	High	Low	Close	Chng
2734	U Entprise	$9⅛	9	9	
16000	Varity C	340	340	340	+5
5450	Viceroy R	$8	7⅞	8	+¼
600	Videotrn f	$9⅞	9½	9½	−¼
600	Wajax A	$9⅞	9¾	9¾	−¼
2315	Wst Fraser	$20¾	20½	20¾	+⅜
8900	Wcoast T	$16⅞	16¾	16¾	
2780	Westmin	$9	8¾	8⅞	
10100	Weston	$30¾	30⅝	30¾	+⅜
1000	Woodwd A	475	475	475	+5
365	Xerox Can	$15⅞	15⅝	15⅞	

F − No voting rights or restricted voting rights.

MONTREAL

Closing prices February 22

Sales	Stock	High	Low	Close	Chng
89705	Bank Mont	$26⅛	25¾	25⅞	
620	BombrdrA	$08½	08¼	08¼	−¼
20297	BombrdrB	$08½	08⅜	08⅜	
5550	CB Pak	$23¼	23	23⅛	−¼
13580	Cascades	$06¼	06⅛	06⅛	
615	CIL	$31½	30⅞	31½	+1¼
4820	ConBath	$17⅞	17½	17¾	−¼
20695	DomTxtA	$17⅞	16¾	17¾	+1
1050	MntTrst	$13⅛	13	13	−⅜
299072	NatBk Cda	$10	09⅝	10	+⅜
29307	Noverco	$11⅜	11¼	11¼	
63000	Power Corp	$13⅞	13⅝	13¾	
61587	Provigo	$09⅝	09⅜	09⅜	
74730	Royal Bank	$27⅜	26⅞	27¼	+½
21140	SteinbrgA	$40¾	39½	40¾	−⅛
3453	Videotron	$09⅞	09¼	09¼	−⅝

Sales 7,189,631 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

[illegible]

Stock	Sales (Hnds)	High	Low	Last	Chng
Rouses .47	110 1044	23½	23	23	−½
RoyGld	46 15	3⅝	3¼	3¼	−⅛
Roylprs	32 464	4 7-16	4⅜	4 7-16	+1-16
RyanFs	25 3391	8⅛	7¾	8	+¼
S S					
SCI Sys	16 1091	13¼	12⅞	13⅛	
SCORU	5 23	8	7½	7½	
SEIs	20 95	15	14¾	15	
SHL Sys	379	17⅞	17½	17½	−¼
SKFAB1.47e	43	40¾	39⅞	40¾	+⅜
SPIPh .07	57	7¾	6¾	6¾	
Standys .92	19 1488	u54⅞	54¾	54⅞	+⅛
StdMic	111	5⅝	5½	5½	−¼
StdRegs .44	16 x107	23	22	22¼	+¼
StrptSv1.43t	18	13¼	13	13¼	+¼
Stars	28	1¼	1⅛	1⅛	
StaStBo .48	11 1296	24¾	24⅝	24⅝	−⅛
StwBcs .90	11 17	21¼	20¾	20¾	
StewStv	16 45	21¼	21	21	−¼
Stwinf .76	5 219	15¼	14¾	14¾	−½
Stratus	26 1050	25	24	24¾	+½
StrwbCl .93	11 118	34¾	33½	34½	−½
Strykrs	24 506	19¾	19¼	19¾	+½
UnSpIC	19 224	25½	23½	23½	+1
UACm .04	43 173	28	27¼	27½	
UBCol	25 63	15¼	15	15¼	
UHltCr	692	4¾	4¼	4¼	−¼
UtdSvrs .72	4 239	14¾	14⅝	14⅝	
USBcp .80	9 3673	25⅛	24¾	25⅛	+¼
US HltC .16	200 8047	8⅛	7⅞	8	
USTrst 1.16	12 371	41	40¼	41	+½
UStatn .28	18 1	19½	19½	19½	+⅝
UnTelev	45 11	27¼	27⅛	27¼	
UnvFrs .12	12 428	13¾	13½	13⅝	−⅛
UnvHlt .33e	213 202	4⅜	4¼	4¼	−⅛
UnvMed.30a	10 315	5 1-16	4 15-16	5	
V V					
VBand	6 1321	20½	19¼	20	+½
VLSI	25 2175	9⅛	8	8⅞	+⅞
VM Sft	23 617	12½	12¼	12¼	+¼
Wyman .80	16 331	13¾	13	13⅜	−⅜
Wyse	11 3791	19⅜	18	18⅜	+1¼
X Y Z					
XOMA	414	11¾	11	11¼	+¼
Xicor	25 4506	8	7¼	7⅞	+⅜
Xidex	1476	6⅞	6⅝	6¾	
Xylogic	10 65	11	10¾	10¾	+½
Xyvsn	35 599	4⅞	4¾	4⅞	
YlowFs .62	20 1108	28⅜	26⅝	28⅛	+1¼
ZionUt 1.44	41	25¾	25	25¾	+⅞
Zondvn	378	8¾	8	8⅝	+⅝
Zycad	245	4⅛	3⅞	4	−⅛

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

BICC	334	+ 11
BPP	290	+ 10
Blenheim Exhibitions	480	+ 10
Blue Circle	433	+ 10
Cable & Wireless	357	+ 15
Cookson	549	+ 13
Greycoat	341	+ 9
Hillsdown	287	+ 10
ICI	£10¾	+ ¼
Land Securities	514	+ 13
Lloyds Chemists	138	+ 8
Low & Bonar	228	+ 8
Lowe Howard-Spink	353	+ 12
M & G Group	332	+ 28
MEPC	486	+ 13
More O'Ferrall	185	+ 10
Rugby Group	242	+ 9
Vickers	166	+ 9½
Wellcome	454	+ 19
Western Motor	468	+ 10
Yorkshire Chem.	247	+ 7

TOKYO - Most Active Stocks
Monday, February 22 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	69.99m	361	uch
Nisshin Steel	45.27m	667	+3
Nippon Steel	34.68m	410	+2
Sumitomo Heavy Industries	33.53m	573	+27
Fuji Electric	17.75m	630	+9
Tokyo Gas	17.39m	1,010	uch
Toshiba	16.53m	763	+3
Kobe Steel	15.80m	311	+1
Mitsubishi Heavy Industries	12.69m	604	-1
Konica	11.31m	1,000	uch

Indices

NEW YORK DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Closing prices, February 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR	s	.36	1.7	19	129	21½	20⅞	21½	+⅝
32½	21	AFG	s	.16	.6	12	3257	27	26	27	+1
27	10½	AGS	s			13	453	15⅝	15	15⅝	+⅛
10½	5⅛	AMCA					3	5¼	5¼	5¼	
9⅜	3¼	AM	Intl			28	431	3⅞	3¾	3⅞	+⅛
65½	28¾	AMR				12	6188	39½	38⅝	39¼	−¼
27¼	24⅞	ANR	pf	2.67	10.		3	26	26	26	
25	19	ANR	pf	2.12	9.4		1	22½	22½	22½	
12¼	6⅝	ARX	s			8	66	7⅝	7⅝	7⅝	
73½	40⅛	ASA		3	6.6		468	46	45½	45¾	+⅜
22⅝	9½	AVX				13	1064	15¾	15	15¾	+⅞
67	40	AbtLab		1	2.0	16	3692	49½	48	49½	+1⅛
28	15⅜	Abitibi	g				47	19⅛	18⅞	19	+¼
16¾	8½	AcmeC		.40	3.6		114	11¼	10⅞	11⅛	−⅛
10½	6¾	AcmeE		.32b	3.9	22	14	8½	8¼	8¼	−⅛
20	14⅛	AdaEx		3.05e	20.		340	16	15¼	15½	−½
19½	6⅞	AdamM		.24	2.0	10	193	12¼	12⅛	12¼	+⅛
24⅞	7½	AMD					10157	11⅞	10½	11⅞	+1¼
56¾	29¼	AMD	pf	3	8.5		189	35⅝	33½	35⅝	+1⅞
11⅞	4⅝	Adobe				10	71	6¼	5⅞	6⅛	
20½	16¼	Adob	pf	1.84	11.		38	16¾	16⅝	16¾	
21¾	17½	Adob	pf	2.40	12.		15	20½	20¼	20¼	−⅜
15	6⅛	Advest		.12a	1.6	7	103	7⅝	7⅛	7⅝	+¼
68¼	43½	AetnLf		2.76	5.6	7	3025	49½	48⅝	49⅜	+¾
99	90¼	AetL	pfC	6.05e	6.3		10	96	93	96	+5¾
63½	41	AflPub		.40	.7	9	177	61	60⅛	60¼	−¾
28⅞	13	Ahmans		.88	5.3	8	2629	16¾	16¼	16⅝	+⅜
5⅝	1¾	Aileen					21	2	2	2	−⅛
53⅞	29	AirPrd		1	2.1	15	3479	47⅝	46¼	47⅝	+1¼
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from Page 42										
90⅛	69	OhEd pf8.20		10.		z200	81¼	81¼	81¼	+¼
32⅝	27⅛	OhEd pf3.90		12.		17	29⅛	29	29	
100	77	OhEd pf9.12		9.5		z1170	96	96	96	−¾
108	99	OhE pf10.76		10.		z20	104	104	104	+1½
24⅝	11⅛	OhMatr .48		3.1	13	404	15⅛	15	15⅛	+⅛
96¼	68½	OhP pfB7.60		9.4		z3310	81⅝	80⅛	81⅝	+⅞
27	20¾	OhP pfG2.27		9.7		56	23⅞	23½	23½	−½
35½	26	OklaGE2.28		7.1	11	646	32¼	31⅞	32¼	+⅛
11½	9⅛	OklaG pf.80		8.4		z45	10⅛	9½	9½	
56¼	33⅝	Olin	1.60	3.5	14	660	47	45⅞	46	+½
11⅜	5⅛	Omncre			39	30	7	6⅞	7	+⅛
22¼	9⅜	OnLine s			11	67	10⅜	10⅛	10¼	
19⅝	10⅜	Oneidas .48		3.7	63	186	13¼	13	13⅛	−⅛
44	14½	ONEOK2.56		13.	15	378	19⅛	18¾	19	−⅛
13⅝	6	OpnhCn1.35		12.	9	218	11	10¾	11	+⅛
12½	5⅝	OrngCo			16	12	6⅞	6¾	6⅞	
33¼	25	OranRk2.22		6.9	11	99	32	31⅝	32	+½
4	1⅝	Orient			3	24	2⅜	2¼	2⅜	+⅛
29¾	11	OrionC .76		4.9		11	15⅝	15⅜	15½	
27½	13¾	OrionCpf2.12		12.		25	18	18	18	
19⅝	5½	OrionP			20	2464	18¼	17¾	17¾	+⅜
12⅞	6⅛	Orion pr .50		4.2		63	12	11¾	12	+⅛
38	16¼	OutbdM.72		2.9	6	264	25⅜	24¼	25⅛	+½
26½	15	OvShip .50		2.6	15	707	19¼	18⅝	19¼	+⅝
22⅞	11¾	OwenM .36		2.4	10	142	14¾	14	14¾	+¾
52⅝	9	OwenCn			3	2827	18	17¼	17⅝	+⅛
18⅝	8⅛	OxfdF s .24		1.5	11	9	16	15¾	15¾	−⅜
19	9⅛	Oxford .60		4.5	18	26	11	10¾	11	+¼
P Q										
45	25¾	PHH	1.08	3.5	12	439	31	30⅞	31	+⅛
17⅞	6¼	PHM	.12	1.4	9	239	8⅝	8½	8⅝	−¼
[illegible]										
31½	19⅛	XTRA	.64	2.1	15	67	30⅜	30	30¼	+¼
28¼	19½	XTRA pf1.94		7.4		6	26¼	25¾	26¼	+¼
33⅞	17½	Yorkln			10	60	27¼	26¾	27¼	+½
7¼	2¼	Zapata				505	3⅜	2⅞	3¼	+⅜
37	13½	Zayre	.40	2.0	7	7781	19⅞	19¼	19¾	+⅛
18⅛	8¾	Zemex	.40	4.0	13	9	10⅛	10	10⅛	−⅛
33⅜	10	ZenithE				1946	18½	17⅝	17⅞	−⅜
13½	2½	ZenLab				1144	2¾	2⅜	2⅝	+⅛
24½	13½	ZenNtl	.80	4.5	6	347	17⅝	17½	17⅝	−⅛
20⅜	11⅜	Zero	.36	2.3	16	86	15½	15¼	15½	+¼
30¾	15	Zurnin s .68		3.0	15	96	22⅞	21¾	22⅞	+⅞
10⅜	7⅝	Zweig	1.05e	11.		579	9¾	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, February 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

FINANCIAL TIMES Tuesday February 23 1988

AMERICA

Stocks make strong gains despite dollar weakness

Wall Street

STOCK prices posted strong gains yesterday in moderately active trading, after overcoming a weak start to the session, *writes Roderick Oram in New York.*

The advance came in spite of weakness in the dollar and a bond market which was subdued ahead of today's mid-year economic report to Congress by Mr Alan Greenspan, the Federal Reserve chairman.

After being about 12 points down from the opening by mid-morning, the Dow Jones Industrial Average recovered steadily through the afternoon to come within 0.17 of a point of its January 7 peak of 2,051.89, the highest level since the October crash. It backed away in the last half hour, however, to close at 2,040.29, up 25.7 on the day.

The rally was broadly based with indices such as the Standard & Poor's 500, up 4.03 to 265.64, and the New York Stock Exchange composite, up 2 to 148.96, outperforming the Dow.

NYSE volume was moderate at 179m shares with advancing shares outnumbering those declining by a margin of almost three to one. One of the busiest sectors was technology stocks, particularly computer and semiconductor makers.

Digital Equipment rose $5¼ to $125⅞, IBM added $1⅞ to $115 ¼, Motorola gained $2¼ to $46⅞, Intel advanced $1⅝ to $27⅞ and Unisys, which last week forecast a double-digit growth rate for its 1988 earnings, put on $⅞ to $35⅝.

Manufacturer Hanover soared $2¼ to $25¾ on rumours it was about to receive a takeover offer, possibly from a West German bank. It said it knew no reason for its price rise.

Lockheed jumped $3⅞ to $44⅛ after Shearson Lehman's analyst raised his rating of the aerospace company's stock and said it would probably be willing to discuss takeover offers. Lockheed has been the frequent target of takeover rumours which have made its share price highly volatile.

Primerica added $1⅛ to $29⅛. Mr Gerald Tsai, who has built the financial services group out of the former American Can company, is rumoured on Wall Street to be planning a management buy-out. The group's main subsidiaries include insurers and the Smith Barney firm on Wall Street.

L.F. Rothschild, the small Wall Street investment dealer, fell $⅞ to $3 after reporting a $129m fourth-quarter loss and its agreed takeover by Franklin Savings of Kansas. The offer is $1 in cash plus securities worth about $2 for each Rothschild share.

Allegheny International fell $½ to $2⅞. The manufacturer of kitchen appliances and other household products filed for protection under Chapter 11 of the US bankruptcy code. It said, however, that it was confident it could keep operating while it restructured its finances.

Eastman Kodak slumped a further $1½ to $40¾. Late on Friday Polaroid, up $2½ to $30, said it was suing Kodak for $5.7bn damages for infringing its instant photography patents. A court has already found Kodak guilty but the question of the size of the damages will be the subject of court wrangling.

Texaco was unchanged at $42⅞ following the news late last week that Mr T. Boone Pickens, the Texas raider, was planning to buy up to 15 per cent in the beleaguered oil company. It is thought in the market that he has already built up a stake close to that level.

Credit markets were extremely lacklustre with investors and traders reluctant to be active ahead of today's Capitol Hill testimony by Mr Alan Greenspan, chairman of the Federal Reserve. He gave a preview of his mid-year report to Congress on the economy last week when he said that the basic economic elements were in equilibrium.

This was taken by the market as a sure sign that the Fed would not be easing its interest rate policy in the near future. Bond prices have subsequently slipped back as hopes for a discount rate cut by the Fed evaporated.

Canada

GOLDS, base metals and energy issues drove the market ahead in tandem with an advance on Wall Street.

The composite index climbed 30.8 to 3,168.0 as advances outnumbered declines by 416 to 364 on heavy volume of 29.8m shares.

Mr Ed Chateauvert, a stockbroker with Midland Doherty, said: "Everything was strong today, with golds and metals leading."

Kieran Cooke examines the changing scene on Ireland's buoyant exchange

Guinness returns to find Dublin ahead

THERE WAS talk of the Prodigal Son's return yesterday as Guinness, so synonymous with Irish drinking habits, was welcomed back onto the Dublin stock exchange.

The company has not been quoted in Dublin since 1973, when the London and Dublin exchanges were amalgamated, and Irish investors have not been able to buy Guinness shares since imposition of exchange control laws in 1979.

The brewer returns to find growth at home has been impressive. Turnover on the Dublin Exchange was up 37 per cent last year over 1986 at I£38.16bn.

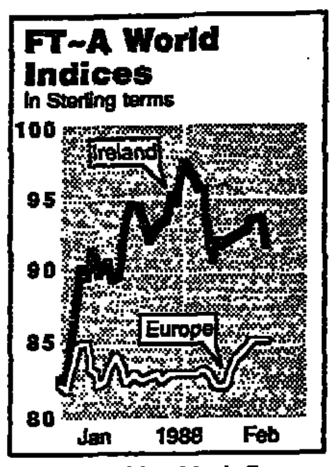
So far this year share prices are up some 11 per cent in sterling terms against only 4 per cent for Europe as a whole. The President of the Irish Stock Exchange, Mr Kenneth Beaton, expects turnover to rise substantially as up to 12 new companies seek quotation.

A partial liberalisation of controls now means Irish investors can once again buy into Guinness, which is still considered a national institution. The share attracted some small deals but no large volume yesterday, closing steady at 310 Irish pence in line with London.

Exchange officials emphasise that Guinness remains a British-registered company and Irish investors still have to observe exchange controls. Individuals may now invest up to I£5,000 (£4,460) overseas, but a global national limitation of I£30m still severely limits the operating arena for the Irish investor.

At home, the Dublin market includes six companies which account for more than 50 per cent of trading: Jefferson Smurfit, Cement Roadstone Holdings, Waterford Glass, Irish Distillers, Allied Irish Bank and the Bank of Ireland.

Good results from these companies can obviously exert considerable influence on the market. When Smurfit took the unusual step – apparently to boost confidence in their stock and the market – of announcing nine-month figures in January showing profits of I£106m, shares responded buoyantly.



Analysts point to a new awareness among the smaller companies of the advantages of the stock market as a source of capital for expansion and development. After a considerable shake-out in recent months, companies are generally healthy, with expectations of increased earnings.

Brokers Citicorp Scrimgeour Vickers say the prospective price-earnings ratio for the market, using expected 1988 earnings, is less than 9.5, comparing well with other European markets.

The Irish Stock Exchange, officially operating as a unified Dublin/London exchange since last year, is having problems with expansion.

The exchange, one of the oldest in Europe, started trading at the end of the 18th century and has been in the same building in a central Dublin side-street since 1878. New technology sits uncomfortably in elegant period rooms. The floor itself is more like a ballroom, lit by twinkling Waterford crystal chandeliers.

The old ways survive – a call system still operates with members meeting twice a day on the floor. Members wish to continue the system: they say it proved particularly beneficial during the events of Black Monday and is preferred by the local client.

Exchange officials are hopeful, however, of a further gradual relaxation of exchange controls between now and 1992.

They are also lobbying for stiffer regulations against insider trading: last weekend the minister for industry and commerce, Mr Albert Reynolds, said a Companies Bill to be introduced in the Irish Parliament would make insider trading a criminal offence.

SOUTH AFRICA

A FIRMER financial rand dampened interest in Johannesburg gold shares, leaving them slightly easier despite a steady bullion price. Industrial stocks made gentle upward progress.

Among the golds, Vaal Reefs was off R3 at R257, Harties lost 50 cents to R21.75 and Freegold shed R1.75 to R30.50. South Vaal eased R1 to R121 and Driefontein fell back R1.25 to R33.50.

Industrials continued to benefit from a spate of good results over the last week. Leader Barlow Rand put on 15 cents to R19.75 and SA Breweries was 50 cents ahead at R17.50.

EUROPE

Frankfurt hits three-month high

STRONG gains on Wall Street on Friday helped boost bourses around Europe yesterday, though profit-taking continued to hold back market rises. Volume was generally moderate to thin, although Paris saw heavy trading on the first day of its new trading account.

FRANKFURT was boosted by strong demand from domestic institutional and foreign investors, with the FAZ index closing at its highest for three months – up 5.07 at 445.07.

Gains in other world stock markets encouraged buying and the midsession Commerzbank rose 15.3 to 1,364.8.

Equities opened firm and then fell back shortly after midsession on a short wave of profit-taking. But strong overseas demand pushed the market up sharply later in the day, with blue chips leading the way.

Troubled luxury car maker Porsche added DM32.50, or 7.4 per cent, to DM472.50, on rumours that Daimler was to acquire a stake. Daimler added DM8 to DM672, but both companies strongly denied the speculation.

PARIS succumbed to profit-taking after a strong start but still closed slightly firmer in active trading.

Demand was heavy on the first day of the March trading account, which allows investors to buy with 30 days' credit. Earlier strong closes in Tokyo and on Wall Street on Friday helped buoy sentiment.

The CAC index, which closed at 272.94 on Friday, was unavailable because of technical problems, which also hit trading. The market's screen-based trading system opened 15 minutes late and then listed Pernod-Ricard's price inaccurately, distorting the index.

Lesieur lost FFr137 to FFr1,798 after last week's news of its purchase by Italy's Gruppo Ferruzzi. Peugeot, which announced plans to cut 7 per cent of its workforce, added FFr35 to FFr979.

MILAN closed slightly higher as market attention turned to Gruppo Ferruzzi shares, with stocks registering their ninth consecutive gain.

Shares had opened lower in thin trade, but a L14 rise to L1,124 in Ferruzzi-controlled Montedison gave the market renewed strength. The MIB index added 6 points, or 6 per cent, to close at 978.

Ferruzzi Agricola ordinary rose L135, or 13 per cent, to L1,150 and Iniziativa Meta added L380 to L9,600. Brokers said it was unclear who was buying but thought the group and investors friendly to it were in the market. Rumours were also circulating that Ferruzzi would soon unveil favourable details of its controversial restructuring with Montedison.

Carlo De Benedetti's group was largely ignored after strong interest last week and the industrial holding company CIR fell L73 to L4,647. Olivetti lost L60 to L8,690.

AMSTERDAM ended a quiet day on a mixed note, with the ANP-CBS index rising 0.7 to 229.7.

KLM was the most actively traded stock following a favourable analysis over the weekend of its future prospects. A total of 275,000 shares changed hands, and the stock added Fl 1.30 to Fl 34.40.

Car importer ARM surged Fl 299, or 60 per cent, to Fl 765 after suspension on Friday, as trading company Hagemeyer said it intended to acquire the company.

BRUSSELS firmed in moderate volume, with takeover target Société Générale returning to centre stage.

The group added BFr200 to close at a record BFr5,100 on turnover of 166,750 shares, up from Friday's 127,00. The stock index ended the day up 13.23 at 4,523.93.

ZURICH finished mixed in moderate trading as the lower dollar kept investors on the sidelines. The Crédit Suisse index eased 2.6 to 443.6.

STOCKHOLM moved narrowly higher in light trading led by small investors.

MADRID closed mixed after a featureless session in which the general index eased 0.09 points to 250.56.

London

INTERNATIONAL conglomerates were boosted by a favourable Warburg Securities review, with BTR rising 4p to 260p and BET up 4p at 246p. Hanson, which reports first-quarter results tomorrow, gained 2p to 135p.

The FT-SE 100 Index closed up 17.4 at 1,747.2 in very thin volume as the new trading account got underway.

ASIA

Nervous profit-taking trims gains

Tokyo

CONCERN over high prices trimmed some of the market's early gains but shares closed higher for the eighth consecutive day, with buying focused largely on recent poor performers, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed up 73.3 points at 24,846.71, after rising close to 25,000 at one stage in early morning trading. The day's low was 24,784.50 and the high 24,949.35.

Advances led declines by 511 to 395, with 156 issues unchanged. Turnover weakened to 861m shares from last Friday's 1.04bn.

The market startly firmly, encouraged by seven days of market gains up to last Friday, when volume exceeded 1bn for the first time since October 23 last year. Purchases by individuals, investment trusts and overseas buyers strengthened.

But concern over the fast rise set in later, and the afternoon saw some profit-taking.

Large-capital steels moved relatively steadily throughout the day, helped by firming prices of steel products. Kawasaki Steel was the most active stock, with 70m shares traded. It closed unchanged at Y361 after gaining Y3 at one stage. Nippon Steel firmed Y2 to Y410, Kobe Steel Y1 to Y311 and Nippon Kokan Y3 to Y307.

Sumitomo Heavy Industries, fourth busiest with 34m shares, added Y27 to Y573 on investor appreciation of private plant and equipment investments.

Konica Corp, 10th busiest with 11m shares, ended unchanged at Y1,000 after rising Y30, helped by its strong earnings growth and rumours of share buying by a group of speculators.

Electric power utilities strengthened almost across the board, with Tokyo Electric Power climbing Y200 to Y5,750 and Kansai Electric Power Y60 to Y2,860.

Among financials, Nomura Securities added Y50 to Y3,770 and Yamaichi Securities Y60 to Y1,970.

Nippon Telegraph and Telephone rose Y30,000 to Y2.37m on a volume of 9,740 shares, up from last Friday's 6,103.

High-technology stocks were generally out of favour as the yen renewed its rise against the US dollar, making exports more expensive. But Fuji Electric firmed Y9 to Y630, Toshiba Y3 to Y763 and Matsushita Electric Industrial Y30 to Y2,330.

Hitachi finished unchanged at Y1,290, while NEC shed Y10 to Y2,020.

Supermarket operators, last week's strong performers, fell back on profit-taking, with Chujitsuya losing Y160 to Y3,790 and Inegeya Y130 to Y2,000.

Bonds eased in the absence of fresh market-moving factors. Institutional investors stayed on the sidelines awaiting the Ministry of Finance's decision on issue terms for the March 10-year government bond.

The yield on the benchmark 5.0 per cent government bond due in December 1997 increased slightly from last Friday's 4.33 per cent finish to 4.345 per cent, reflecting speculation that the coupon rate on the debt would be reduced by 0.1 percentage point from its current 4.8 per cent.

On the Osaka Securities Exchange, the OSE stock average added 103.72 to 25,209.47 for the eighth straight gain. But volume decreased by 7.2m shares to 122m shares.

Izumi advanced Y110 to Y2,110 and Sumitomo Forestry Y50 to Y1,370, while Joshin Denki slid Y80 to Y2,810 on profit-taking.

Australia

FIRMER bullion prices and Wall Street's stronger finish on Friday helped push shares up, with the All Ordinaries index closing 7.5 higher at 1,250.7.

Turnover reached a reasonable 128m shares, worth A$164m, with rises narrowly outnumbering falls.

Among industrials, News Corporation, which reports interim results this week, was up 35 cents at A$12 and Lend Lease rose 10 cents to A$11.10. Takeover target ACI added 5 cents to A$4 while its suitor, BTR, was steady at A$6.70.

Stronger world sugar prices helped push CSR up 5 cents to A$3.45 and Brambles added 4 cents to A$8.24 before interim results due this week.

Demand for entrepreneurs was also strong, with Adsteam up 10 cents at A$4.50. Industrial Equity firmed 7 cents to A$1.57 and Elders IXL gained 3 to A$3.13. Bond Corp rose 3 cents to A$1.68 on news of its restructuring.

In resource stocks, CRA added 12 cents to A$5.66, WMC 5 cents to A$4.48 and Metana 50 cents to A$7.30. Gold Mines of Kalgoorlie put on 19 cents to A$3.15 and Peko-Wallsend 10 cents to A$7.20. Peko's merger partner, North BH, was steady at A$2.38.

Pioneer Concrete lost 1 cent to A$230, having topped turnover lists with 19m shares traded. Most came from BHP, which sold its 2.8 per cent holding to help finance the purchase of its own shares. And Pioneer yesterday announced the purchase of US sand and gravel producer Davison Sand & Gravel, for an estimated A$100m.

Hong Kong

PROFIT-TAKING pulled shares off the day's highs but the market ended stronger as investors returned from the Lunar New Year holidays encouraged by gains in New York and Tokyo.

The Hang Seng index gained 19.13 to 2,347.17 in thin trading dominated largely by local investors.

Properties and banks led the advance with Bank of East Asia rising 90 cents to HK$20.30, Hang Seng Bank 50 cents to HK$8.30 and Hongkong Bank 10 cents to HK$7.05. Sun Hung Kai Properties climbed 20 cents to HK$8.55, Henderson 15 cents to HK$4.35 and Cheung Kong 5 cents to HK$6.50.

The next major events on the market calendar are the Budget on March 2 and the start of the reporting season at the end of next week.

Singapore

THE START of the first week's trading in the Year of the Dragon brought out buyers in Singapore and volume picked up from the quiet holiday levels of last week.

The Straits Times industrial index rose 11.65 to 901.69 as last week's rallies in New York and Tokyo combined with an easing of political uncertainty in neighbouring Malaysia to encourage interest from small investors. Turnover increased to nearly 23m shares from a minuscule 8m on Friday.

Lower-priced issues, notably in the food and drink sector, attracted most buying. Retailer Isetan added 20 cents to S$5.10, Cerebos 16 cents to S$4.96, Malayan Breweries 20 cents to S$9 and Kentucky Fried Chicken 16 cents to S$2.28.

Chuan Hup Holdings was the most active stock, rising 1 cents to 96½ cents on 1.6m shares, and United Pulp and Paper attracted speculative interest, adding 1 cent to 43 cents on 1.4m shares.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 22 1988					FRIDAY FEBRUARY 19 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	98.90	+0.4	83.07	91.46	4.65	98.51	83.51	91.14	180.81	85.36	108.78
Austria (16)	87.17	+0.6	73.22	76.66	2.73	86.61	73.42	76.67	102.87	84.35	95.74
Belgium (48)	121.27	+1.0	101.87	106.32	4.49	120.05	101.76	106.13	134.89	94.63	106.64
Canada (127)	114.76	+0.7	96.40	105.83	3.08	113.96	96.60	104.84	141.78	98.15	118.76
Denmark (38)	116.34	+0.6	97.72	102.53	2.91	115.68	98.06	102.50	124.83	98.18	115.98
Finland (23)	114.86	−0.7	96.48	99.31	1.88	115.70	98.08	100.31	–	–	–
France (123)	87.80	+2.4	73.75	78.98	3.78	85.70	72.65	77.57	121.82	72.77	109.17
West Germany (94)	75.62	+1.8	63.52	66.65	2.78	74.27	62.95	65.91	104.93	67.78	88.74
Hong Kong (46)	89.65	+1.1	75.31	89.69	4.72	88.72	75.21	88.73	158.68	73.92	112.84
Ireland (14)	111.42	+2.7	93.59	99.97	4.39	108.47	91.95	97.94	160.22	93.50	120.30
Italy (94)	71.28	+1.6	59.87	66.46	2.90	70.13	59.45	65.84	112.11	62.99	98.34
Japan (457)	157.08	+0.9	131.95	128.29	0.54	155.61	131.91	127.92	161.28	100.00	113.91
Malaysia (36)	114.78	+2.2	96.41	114.36	3.27	112.34	95.23	112.06	193.64	93.76	133.83
Mexico (14)	138.75	−6.1	116.54	348.15	1.02	147.80	125.29	371.67	422.59	90.07	130.69
Netherland (37)	101.87	+1.2	85.57	88.48	5.09	100.65	85.32	88.06	131.41	87.70	103.35
New Zealand (24)	67.04	−3.8	56.32	53.71	6.11	69.67	59.06	55.74	138.99	66.87	88.05
Norway (24)	109.60	+2.9	92.06	95.28	3.25	106.53	90.30	92.94	185.01	95.51	113.43
Singapore (26)	104.98	+1.8	88.18	97.28	2.46	103.11	87.40	95.84	174.28	81.21	118.08
South Africa (61)	128.46	+2.0	107.90	78.55	5.31	125.95	106.77	78.67	198.09	100.00	116.56
Spain (43)	136.11	+0.4	114.33	117.75	3.49	135.59	114.93	117.82	168.81	100.00	121.31
Sweden (32)	109.00	+1.1	91.56	97.34	2.71	107.85	91.42	96.87	136.64	88.50	103.24
Switzerland (53)	81.07	+0.8	68.10	69.86	2.38	80.40	68.16	69.74	111.11	73.65	95.28
United Kingdom (328)	127.73	+1.9	107.29	107.29	4.36	125.33	106.24	106.24	162.87	99.65	120.92
USA (586)	108.13	+1.4	90.83	108.13	3.48	106.63	90.39	106.63	137.42	91.21	116.64
Europe (967)	102.62	+1.7	86.20	88.85	3.84	100.89	85.53	88.03	130.02	92.25	107.53
Pacific Basin (680)	152.18	+0.9	127.83	125.36	0.74	150.80	127.83	125.00	158.77	100.00	113.55
Euro-Pacific (1647)	132.37	+1.2	111.19	110.82	1.70	130.85	110.92	110.29	143.65	100.00	111.15
North America (713)	108.48	+1.4	91.12	108.01	3.46	107.02	90.72	106.55	137.55	91.68	116.76
Europe Ex. UK (639)	87.01	+1.5	73.09	77.25	3.37	85.70	72.64	76.58	111.97	78.89	94.94
Pacific Ex. Japan (223)	93.15	+0.4	78.25	87.52	4.61	92.76	78.63	87.16	164.03	82.92	108.37
World Ex. US (1849)	131.74	+1.2	110.66	110.43	1.78	130.24	110.40	109.89	143.38	100.00	111.51
World Ex. UK (2107)	122.09	+1.2	102.56	109.84	2.15	120.69	102.30	108.99	138.82	100.00	112.81
World Ex. So. Af. (2374)	122.54	+1.2	102.93	109.81	2.33	121.05	102.61	108.94	139.47	100.00	113.50
World Ex. Japan (1978)	106.05	+1.4	89.08	100.13	3.65	104.54	88.61	98.97	134.22	92.98	113.34
The World Index (2435)	122.58	+1.2	102.97	109.59	2.35	121.09	102.64	108.72	139.73	100.00	113.52

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).